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IN THE

Supreme Court of the United States

OCTOBER TERM, 1972

No. 72-512

BOLT ASSOCIATES, INC.,

Petitioner,

vs.

WESTERN GEOPHYSICAL COMPANY OF AMERICA,

Respondent.

BOLT ASSOCIATES, INC.,

Petitioner,

vs.

LITTON INDUSTRIES, INC.,

Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

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Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

To the Honorable Chief Justice and Associate Justices of the Supreme Court of the United States:

Bolt Associates, Inc., petitions for a writ of certiorari to review:

1. An order of the United States Court of Appeals for the Second Circuit entered June 5, 1972, dismissing an appeal for lack of jurisdiction.

2. A concurrent order of said Court refusing to stay an accounting pending appeal.

3. An order of said Court entered June 30, 1972, denying reconsideraiton of the above two orders.

Opinions Below

The opinion of the Court of Appeals, not yet reported, appears in the Appendix hereto (App. 55a). The opinion of the District Court is not yet officially reported, but may be found in the Appendix hereto (App. 38a). An earlier, related opinion of the Court of Appeals on appealability is reported at 440 F.2d 765 and appears in the Appendix hereto (App. 25a).

Jurisdiction

The original orders of the Court of Appeals were entered June 5, 1972 (App. 63a and 65a). A timely petition for rehearing was filed (App. 66a), and the order denying rehearing was entered June 30, 1972 (App. 71a). This petition for certiorari was filed within 90 days of that date. Jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

Questions Presented

1. Is it not a proper exercise of discretion for a District Court to permit a Rule 54(b) F.R.C.P. appeal when all public interest antitrust issues have been decided and denied, and only severable private interest, breach of contract matters remain for final resolution?

2. Is it not an abuse of discretion for a Court of Appeals to refuse to accept jurisdiction under Rule 54(b) F.R.C.P. when injunctive relief under the antitrust laws has been

denied and the case is thereby appealable as of right under the terms of 28 U.S.C. § 1292(a)(1)?

3. Should not a District Court stay an accounting for breach of contract, after certification under Rule 54(b) of the issue of liability, when enforcement of the contract may abet an antitrust violation?

Statutes and Rules Involved

Rule 54. Judgments; Costs

"(b) Judgment Upon Multiple Claims or Involving Multiple Parties. When more than one claim for relief is presented in an action, whether as a claim, counterclaim, cross-claim, or third-party claim, or when multiple parties are involved, the court may direct the entry of a final judgment as to one or more but fewer than all of the claims or parties only upon an express determination that there is no just reason for delay and upon an express direction for the entry of judgment. In the absence of such determination and direction, any order or other form of decision, however designated, which adjudicates fewer than all the claims or the rights and liabilities of fewer than all the parties shall not terminate the action as to any of the claims or parties, and the order or other form of decision is subject to revision at any time before the entry of judgment adjudicating all the claims and the rights and liabilities of all the parties."

28 U.S.C. § 1292 Interlocutory decisions

"(a) The courts of appeals shall have jurisdiction of appeals from:

(1) Interlocutory orders of the district courts of the United States, . . . granting, continuing, modifying, re-

fusing or dissolving injunctions, or refusing to dissolve or modify injunctions, except where a direct review may be had in the Supreme Court";

Statement of the Case

A dispute has arisen between the parties over use versus suppression of a patented invention which has proven highly useful in off-shore (marine) oil exploration. The invention relates to a seismic energy-producing device (an "air gun") which permits exploration of the earth's structure under the sea, without using dangerous explosives.

Petitioner Bolt had granted an exclusive patent license to Respondent Western (a subsidiary of Respondent Litton), which license required Western to use "best efforts" to promote and use the device and, after two years, to license Western's competitors. After the license had been in effect for over three years, with no use nor licensing whatsoever by Western or Litton, Bolt terminated the license, resulting in the present suit.

Western sued Bolt for reinstatement of the license and for damages for improper termination. Bolt counterclaimed for damages for failure to use and license (1st counterclaim) for conspiracy to suppress and to boycott use of the invention (2d, 3d, and 4th counterclaims), for patent infringement (5th counterclaim), and for an injunction under Clayton Act §§ 4, 7 and 15 (15 U.S.C. §§ 15, 18, and 26) against Western and Litton's continuing acquisitions of seismic energy sources for off-shore oil exploration (6th counterclaim) (App. 5a) (Western, a major factor in the off-shore oil exploration field, has acquired a series of such devices).

In its amended answer Bolt added a sixth counterclaim which alleged that, since the suit began, Western and Litton had made further illegal acquisitions of sound

sources. The District Court dismissed the second and sixth counterclaims to the extent they rested upon Section 7 of the Clayton Act. Bolt appealed under 28 U.S.C. §1292(a)(1). The appeal was dismissed by the Court of Appeals as premature because:

> "The second and sixth counterclaims were only two of four which sought injunctive relief under the antitrust laws, and §7 of the Clayton Act was only one of several bases for relief asserted in these two counterclaims." (440 F. 2d at 770) (App. 33a)

The opinion further pointed out that an order striking all the injunctive counterclaims would have been appealable:

> "... if Bolt had asserted only one counterclaim seeking injunctive relief and this had been based solely on § 7 of the Clayton Act, an order striking the counterclaim for failing to state a claim on which relief could be granted or rendering summary judgment against Bolt would have been appealable under 28 U.S.C. § 1292(a)(1)." (440 F.2d at 770) (App. 33a)

During the trial that followed, the factual issues under consideration were limited to those which occurred prior to the termination of the license (June 30, 1966). The District Court rendered judgment in favor of Western on the complaint for breach of contract by Bolt and dismissed all the antitrust counterclaims there involved (counterclaims 2, 3, 4 and 6) (App. 38a). This left standing only the counterclaim, previously severed, for patent infringement. The Court certified its judgment under Rule 54(b), and Bolt again appealed. The District Court retained jurisdiction to determine the damages suffered by Western for breach of contract, *Western Geophysical Co. of America* v. *Bolt Associates, Inc.*, —— F. Supp. ——, 173 U.S.P.Q. 284 (D.Conn. 1972), (App. 38a).

Bolt moved to stay the accounting pending appellate determination of the antitrust issues; and, the stay being denied, applied to the Court of Appeals (App. 53a). Rather than granting a stay, the Court of Appeals dismissed the appeal, holding that the Rule 54(b) certification was an abuse of discretion, and that the antitrust counterclaims did not include such a demand for injunction as to allow appeal under 28 U.S.C. § 1292(a)(1).[1] (App. 55a).

Consequently, due to a procedural morass, the purposes of Rule 54(b) and of § 1292(a), allowing interlocutory appeals, have been undermined. The result is that Petitioner, having twice sought appeal, must now await a lengthy accounting proceeding before it can learn whether the Court of Appeals will grant injunctive relief against continuing antitrust violations. Assuming such violations exist, court procedure is abetting them by permitting an accounting that will provide competitive trade information to Western. (As stated above, Western is a major factor in the field of off-shore exploration.) *Western Geophysical Co. of America* v. *Bolt Associates, Inc.*, —— F.2d —— (2d Cir. 1972) (App. 55a).

---

[1] Such conclusion is insupportable, for the sixth counterclaim prays for injunctive relief under Clayton Act § 7 against, *inter alia*, "acquiring by assignment, license, acquisition of assets, or otherwise, rights of any nature in non-dynamite sound sources"; and against "any actions the result of which tend to increase plaintiff's market share in the field of contracting for off-shore, sub-bottom explorations (Prayer, sixth counterclaim of Amended Answer). This is a "legally distinct claim" not found elsewhere in the pleadings. Cf. the first appeal, 440 F.2d at 770, footnote 4.

REASONS FOR GRANTING THE WRIT

1.

The Court of Appeals Has Suggested the Desirability of Supreme Court Review

The Court of appeals has, itself, suggested that it is "uneasy" about present interpretations of the rule relating to appeal of requests for injunction. In the present case, it stated:

> "Lurking in the background is the uneasy fit of the rule of *General Electric Co.* v. *Marvel Rare Metals Co.*, 287 U.S. 430 (1932), that a final disposition of a request for an injunction meets the statutory description when other issues remain pending, *a problem the Supreme Court may some day wish to reconsider* in light of the difficulties the inferior courts have had in applying the *General Electric* rule. See *Stewart-Warner Corp.* v. *Westinghouse Electric Corp.*, *supra*, 325 F.2d at 829-30 (dissenting opinion); *Western Geophysical Company of America* v. *Bolt Associates*, *supra*, 440 F.2d at 769-70." (App. 61a, footnote 3) (Emphasis supplied)

Similarly, in his dissent in *Stewart-Warner Corporation* v. *Westinghouse Electric Corporation*, 325 F.2d 822 (2d Cir. 1963), cert. denied 376 U.S. 944, 84 S.Ct. 800, 11 L.Ed. 2d 767 (1964), Judge Friendly stated:

> "The Supreme Court has characterized this history of the injunction exception to the final judgment rule as reflecting 'a developing need to permit litigants to effectually challenge interlocutory orders of serious, perhaps irreparable, consequence.' Balti-

more Contractors, Inc. v. Bodinger, supra, 348 U.S. at 181, 75 S.Ct. at 252-253, 99 L.Ed. 233."

As previously indicated, procedure is affecting antitrust substance, suggesting that the time is ripe for review.

2.

Irrespective of Policy Issues, the Court of Appeals Erred by Failing to Take the Appeal on the Sixth Counterclaim

This Court should correct an error best shown by excerpts from the appellate court's contrasting opinions in its two decisions in this case.

Dismissing an earlier appeal of the dismissal of Clayton Act § 7 claims because that claim was joined with a Sherman Act claim, the Court of Appeals noted the substance of Bolt's new counterclaim, as follows:

> ". . . For our purposes *the important change* in the answer to the amended complaint *was the addition of a sixth counterclaim.* This alleged a plan by Geophysical in conjunction with Litton 'to continue and further plaintiff's dominance of the off-shore, sub-bottom exploration industry *by seeking to control and controlling the new, significant, non-dynamite sound sources,* to suppress their use, and to keep them' from the rest of the industry. After developing this theme in detail, Bolt alleged that the plan and the actions pursuant thereto violated §§ 1 and 2 of the Sherman Act and § 7 of the Clayton Act and prayed for damages of $1,000,000, to be trebled, and *an injunction* against plaintiff's attempting to enforce any of the rights they claimed under the agreements and *against their pur-*

> *suing various courses of action which would have anti-competitive effects.* Finally, Bolt sought a direction that plaintiffs be required to divest themselves of all rights in non-dynamite sound sources . . ." (440 F.2d at 768). (Emphasis supplied) (App. 29a)

Now that the District Court has dismissed the antitrust counterclaim after trial, and certified them under Rule 54 (b), the Court of Appeals has again dismissed Bolt's appeal, this time ruling the 54(b) certification to be an abuse of discretion and construing the antitrust counterclaim differently, saying:

> ". . . Decisions have established that the mere labeling of a pleading as a counterclaim is not controlling. *United States Plywood Corp.* v. *Hudson Lumber Co.*, 210 F.2d 462 (2 Cir. 1954); *Flynn & Emrick Co.* v. *Greenwood*, 242 F.2d 737 (4 Cir.), *cert. denied*, 353 U.S. 976 (1957). . . . Bolt's claim for injunctive relief under the antitrust laws added nothing of substance. A conclusion that Western had suppressed Bolt's invention would have meant a dismissal of its claim for wrongful termination of the license and there would be nothing to enjoin under the antitrust laws. On the other hand the conclusion that Western had not engaged in such conduct and was thus entitled to damages for Bolt's termination, coupled with Western's withdrawal of any claim for specific performance, see note 1, equally mooted Bolt's claim for an injunction. See *Bennell Realty Co.* v. *E. G. Shinner & Co.*, 74 F.2d 491 (7 Cir. 1936), *cert. denied*, 302 U.S. 693 (1937)." (App. 61a)

Such reasoning simply does not deal with the request for injunction against the other illegal acquisitions alleged

in the sixth counterclaim.[2] Thus, it is error to dismiss an appeal as to that counterclaim, error not involving interpretation of law but simply through failure to deal with all the issues.

3.

Rule 54(b) and 28 U.S.C. § 1292(a)(1) Should Not be Interpreted to Limit Appeals at the Expense of the Public Interest

The Court of Appeals is extending the interpretations of Rule 54(b) and of 28 U.S.C. § 1292(a)(1). The new "rule" appears to be that there can be *no* appeal until the bitter end of a case involving multiple causes, even in those cases where some causes of action involve public interest, and others private ones. In the present case the public interest in having an economy free of unreasonable restraints and effects of acquisition which lessen competition is the loser.

Bolt has twice been to the Court of Appeals citing the need for that Court to consider the dismissal of the antitrust claims before the common law, private contract claim is completed and has twice been told "No.". It went first in 1971 (440 F.2d 765) where the Court defined the grounds for appeal and again now where the Court reversed its prior ruling and denied the appeal (decision of June 5, 1972, (App. 55a); reconsideration denied June 30, 1972) (App. 71a).

The first time, the Court refused an appeal under 28 U.S.C. § 1292(a)(1) on the dismissal of the Clayton Act Section and counterclaims (which sought injunctive relief),

---

[2] See prayer for injunctive relief in footnote 1.

because it was also coupled with Sherman Act claims, saying:

> "Here . . . no single counterclaim of Bolt's has been dismissed in its entirety. Bolt may still secure the full extent of injunctive relief prayed for in each claim that it has stated. . ." (440 F.2d at 770-1) (App. 34a)

The Court also indicated that had there been one counterclaim seeking injunctive relief and had it been dismissed, an appeal would lie (440 F.2d at 770) (App. 34a).

The District Court thereafter dismissed all anti-trust counterclaims on the merits, and certified the right to appeal under Rule 54(b). Now, however, the Court of Appeals again avoids the appeal, finding these very same issues "inextricably intertwined" (App. 59a) with the contract issues and the District Court abused its discretion.

This approach puts the public interest second, and effectively negates the public policy of the Clayton Act by allowing contract issues to delay private enforcement of the antitrust laws. See 15 U.S.C. 15 and *Perma Life Mufflers* v. *International Parts Co.*, 392 U.S. 135, 88 S.Ct. 1981 (1968).

United States v. *The Borden Company*, 347 U.S. 514 (1954), pointed out the public interest aspects of private enforcement and pointed out the Congressional intent that it enhance public policy:

> ". . . the private injunction action . . . supplements Government enforcement of the antitrust laws . . . these private and public actions were designed to be cumulative, not mutually exclusive . . ."

This conclusion is emphasized in the ABA 1955-1968 Supplement to Report of Attorney-General's National

Committee to Study the Antitrust Laws, 1955, SECTION OF ANTITRUST LAW OF THE AMERICAN BAR ASSOCIATION, ANTITRUST DEVELOPMENTS, 1955-1968 (1968):

> ". . . It may be concluded that the private suit has become an increasingly important and effective method of enforcing the antitrust laws." (p. 275)

Thus, deferring private injunctive actions defers public interest protection while the Court devotes itself to finalizing the damage claims of a private contract dispute. The interpretation of Rule 54(b) and § 1292(a)(1) has, thus, been further restricted, and restricted contrary to the public interest.

4.

Dismissal of the Present Appeal is Contrary to the Rule in *Sears, Roebuck & Co.* v. *Mackey*

Though the Court of Appeals relies upon the "inextricably intertwined" rationale to deny an appeal, this Court put that to rest in *Sears, Roebuck & Co.* v. *Mackey,* 351 U.S. 427 (1956). That case involved four counts:

> Count I—Sherman Act violations and a claim for treble damages
>
> Count II—Damages for willful destruction of a business (through the activities of Count I)
>
> Count III—Unlawfully inducing breach of contract (one of the contracts in Count I)
>
> Count IV—Unlawful destruction of a business by unfair competition and patent infringement.

An appeal of Counts I and II under Rule 54(b) was held proper, even though Count III involved one of *the contracts* of Count I.

This fact situation is on all fours with the present one. Here Bolt seeks to appeal an antitrust ruling while a *contract* count stands incomplete. Nevertheless, in *Sears*, it was held that the claims *could be decided separately*:

> "... Also, it cannot well be argued that the claims stated in Counts I and II are so inherently inseparable from, or closely related to, those stated in Counts III and IV that the District Court has abused its discretion in certifying that there exists no just reason for delay. They certainly *can* be decided independently of each other" (351 U.S. at 436)

This contrasts sharply with the Court of Appeals' decision which found abuse of discretion and refused separation of contract and antitrust counts for appeal. This contrast is emphasized when it is realized that nothing remains to be decided by the District Court on the merits of the contract action; it only awaits an accounting.

CONCLUSION

Deferentially, we suggest that the ground rules for appealability under Rule 54(b) and § 1292(a)(1) should not be further restricted.

The petition for writ of certiorari should be granted.

Respectfully submitted,

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APPENDIX

Exclusive License Agreement of April 16, 1963

(Excerpted Portions)

This Agreement, made this 16th day of April, 1963, by and between BOLT ASSOCIATES, INC., a Connecticut corporation having its principal office at 10 Fitch Street, East Norwalk, Connecticut, (hereafter called "BOLT") and WESTERN GEOPHYSICAL COMPANY OF AMERICA, a Delaware corporation having its principal office at 933 North La Brea Avenue, Los Angeles, California, (hereinafter called "WESTERN").

WITNESSETH:

WHEREAS, BOLT is the owner of an invention relating to a pneumatic acoustical repeater as disclosed and claimed in United States Patent Application Serial Number 151,853, filed November 13, 1961, entitled "Acoustic Wave Impulse Generator Repeater" by Stephen V. Chelminski, and is the owner of other inventions in the field of pneumatic acoutical repeater devices, which will be the subject of further patent applications in the United States and foreign countries; and

WHEREAS, WESTERN desires to use pneumatic acoustical repeater devices under an exclusive license from BOLT for use as a sound source for off-shore, sub-bottom exploration and desires to sub-license such devices to third parties for use as a sound source for off-shore, sub-bottom exploration; and

WHEREAS, BOLT is willing to license WESTERN to use pneumatic acoustical repeater devices of a size in the range from 10 cubic-inch to 200 cubic-inch pressure chamber vol-

ume for use as a sound source for off-shore, sub-bottom exploration, and to grant WESTERN the right to sub-license such devices to third parties for use as a sound source for off-shore, sub-bottom exploration and to license WESTERN including the right to sub-license others under said patent application and inventions in the field of pneumatic acoustical repeater devices in said size range for use as a sound source for off-shore, sub-bottom exploration on the terms and under the conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein set forth, it is mutually agreed as follows:

ARTICLE I

Grant

Section 1:

BOLT agrees to and does hereby grant to WESTERN upon the terms and under the conditions set forth an exclusive license throughout the world to use as a sound source for off-shore, sub-bottom exploration pneumatic acoustical repeater devices of a size in the range from 10 cubic-inch to 200 cubic-inch pressure chamber volume embodying or in the use of which there is employed the invention disclosed and claimed in said patent application or embodying or in the use of which there is employed any inventions now or hereafter owned by BOLT in the field of pneumatic acoustical repeater devices of a size in said range. The license herein granted shall include a license under any patent applications or patents now or hereafter filed or acquired by BOLT covering such inventions heretofore made or made

during the term of this Agreement and shall include the right to sub-license pneumatic acoustical repeater devices of a size in said range for use as a sound source for off-shore, sub-bottom exploration, provided that any sub-license so granted shall contain a provision that such sub-license is entered into subject to all the terms and conditions of this Agreement in favor of BOLT.

• • • • •

ARTICLE II

Payments to BOLT

• • • • •

Section 5:

WESTERN agrees to use its best efforts to promote world-wide licensing and use of the licensed apparatus to government and non-profit institutions during the first two years of this Agreement and thereafter, or at such earlier time as WESTERN may elect, to all other possible sub-licensees of such apparatus.

• • • • •

ARTICLE IV

Term and Termination

• • • • •

Section 3:

If either WESTERN or BOLT shall default in the performance of any of the provisions of this Agreement or shall fail to proceed diligently to exercise the rights herein granted and shall fail to remedy or correct the same within sixty (60) days after receipt of notice from the other party

specifying the default, then in addition to such other rights and remedies as the party not in default hereunder may have against the other, such party may thereafter terminate this Agreement by written notice of its intention to terminate the same on a date therein specified not less than thirty (30) days after the giving thereof except that no such termination shall affect any right accrued at the time of termination.

Defendant's Amended Answer and Counterclaims Filed November 2, 1970

(Excerpted Portions)

UNITED STATES DISTRICT COURT

DISTRICT OF CONNECTICUT

Civil Action File No. 11868

WESTERN GEOPHYSICAL CO. OF AMERICA, INC.,

Plaintiff,

vs.

BOLT ASSOCIATES, INC.,

Defendant.

BOLT ASSOCIATES, INC.,

Third-Party Plaintiff,

vs.

LITTON INDUSTRIES, INC.,

Third-Party Defendant.

JURY TRIAL DEMANDED

Defendant, Bolt Associates, Inc., for its amended answer to the Complaint herein states as follows:

• • • • •

Defenses as to First Cause of Action

• • • • •

Defendant's Amended Answer and Counterclaims Filed November 2, 1970

34. That the subject matter of said alleged agreements of September 14, 1962, April 11, 1963 and April 16, 1963 relate to pneumatic acoustical repeater devices upon which at the time of the making of said alleged agreement, defendant had filed a patent application in the United States Patent Office and which has matured into United States Letters Patent No. 3,249,177 (issued May 3, 1966), and which device plaintiff acknowledges in paragraph 10 of its Complaint in the First Cause of Action, to be "unique and of novel application". Further, the relevant market for such devices is, as provided in the agreements attached to the Complaint, the field of "off-shore, sub-bottom exploration", all being in interstate and international commerce, and at the time of the making of said agreement, plaintiff occupied the predominant portion of that relevant market, and that on information and belief, during the period of 1962 through 1964, plaintiff did carry out more than fifty percent (50%) of the exploration in said relevant market done by independent survey companies. Further, on information and belief, plaintiff remains at least a large competitor in such relevant market. Accordingly, any construction of the alleged agreements of September 14, 1962, April 11, and/or April 16, 1963 which would enforce the granting of any exclusive rights in the aforesaid pneumatic acoustical repeater device and patent thereon, would be an illegal agreement under any of the following sections of the United States antitrust law:

(i) 15 U.S.C. 1, as an unlawful agreement and/or conspiracy in restraint of trade;

(ii) 15 U.S.C. 2, as an attempt to monopolize;

Defendant's Amended Answer and Counterclaims Filed November 2, 1970

(iii) under 15 U.S.C. 2, as part of an illegal combination or conspiracy with Litton Industries, Inc., a corporation of the State of Delaware, and with other persons not known to defendant, to monopolize;

(iv) under 15 U.S.C. 18, any construction of the alleged agreement which would vest an exclusive right to a "unique" invention in plaintiff, would be an illegal acquisition, the effect of which would be to substantially lessen competition or tend to create a monopoly in the aforesaid relevant market.

WHEREFORE, defendant denies that plaintiff, on the First Cause of Action, is entitled to the relief prayed for or any relief, and prays that the Complaint be dismissed, that the cost of the suit be assessed against plaintiff, that reasonable attorneys' fees be awarded to defendant, and that the court grant such other and further relief to defendant that it may deem just and proper.

• • • • •

Defendant's Second Counterclaim Against Plaintiff and Third-Party Defendant

67. Defendant adopts and incorporates herein by reference all of the allegations of paragraphs 44 through 66 of defendant's first counterclaim as set forth above.

68. The jurisdiction of this Court arises under Rule 13, F.R.C.P., and 15 U.S.C. 22.

69. Litton Industries, Inc., a corporation of the state of Maryland and having a principal place of business in Los Angeles, California, is a parent company of the plaintiff, Western Geophysical Company of America, and owns

Defendant's Amended Answer and Counterclaims Filed November 2, 1970

substantially all of the stock thereof (hereinafter called "third-party defendant").

70. The plaintiff, as a wholly owned subsidiary of said third-party defendant, is operated as a division of said third-party defendant even though it is alleged to be a separate corporation.

71. The plaintiff and said third-party defendant have consulted together with regard to plaintiff's performance under the aforesaid Exclusive License agreement, and the resulting actions of plaintiff as enumerated above, have been joint and concerted actions of both plaintiff and said third-party defendant.

72. That said third-party defendant was aware of and actively participated in the decision with plaintiff not to seek sub-licensees in the relevant market of off-shore, sub-bottom exploration either among their competitors, the independent exploration companies active in such relevant market, or among those oil companies who perform their own exploration.

73. That plaintiff separately and with said third-party defendant did actively participate in and jointly conclude not to license government and non-profit institutions for the use of the pneumatic acoustical repeater devices covered by said Exclusive License.

74. That said third-party defendant and plaintiff, by virtue of their separate and joint decisions and activities as aforesaid, knew that at the time of the making of the alleged agreement of April 16, 1963, plaintiff was a pre-

dominant competitor in the relevant market and did know that the device exclusively licensed to plaintiff held the promise of displacing, for the most part, other seismic survey devices in said relevant market.

75. That said third-party defendant and plaintiff, jointly and severally, using their superior and overwhelming economic position and power, and knowing of the financial weakness of defendant, did falsely urge defendant and falsely represent to defendant that the royalty rates payable to defendant in said alleged agreement of April 16, 1963, were fair and reasonable royalties, and further that the accrued benefit to defendant by the use and/or sublicensing by plaintiff and said third-party defendant of the licensed apparatus would be a fair and reasonable return to defendant.

76. That said third-party defendant and plaintiff knew at the time, that the royalty rates that they persuaded the financially weak defendant to accept were far below normal, and that by virtue of having to pay such a low royalty, the plaintiff and third-party defendant would be put in an economically advantageous position vis-a-vis any sublicensed competitors with the result that their surveying prices could be lower, and thus they would further dominate the relevant market, all the time concealing such information from defendant.

77. That said third-party defendant and plaintiff did know or had reason to know that the alleged agreement of April 16, 1963, would give them, or tend to give them control of all the significant uses of said licensed pneumatic acoustical repeater devices in the relevant market of which they were a predominant factor.

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78. That said third-party defendant and plaintiff at the time of the making of said alleged agreement of April 16, 1963, knew and had already decided that the licensed device was not to be brought into the commercial market and that by having control over the licensing of the use thereof, through said Exclusive License, they would be in a position actively to suppress such invention, or substantially to delay its introduction into the relevant market, knowing that if such invention were used in the relevant market, it would make obsolete much of the equipment which they already had under their control and in which they had a large investment, and thus by controlling the same they were allowed to perpetuate their dominant position in the industry and to exclude the licensed device from the use of their competitors.

79. That said third-party defendant and plaintiff knew that under the antitrust laws of the United States of America, the actions as enumerated above were an attempt to monopolize under 15 U.S.C. 2, were an illegal conspiracy under 15 U.S.C. 2, and an illegal combination thereunder with the intent to monopolize; that under 15 U.S.C. 18, the acquisition of the exclusive rights to a "unique and novel" invention for use in a specific relevant market, would be an illegal acquisition of an asset of a corporation and the effect of which would be to substantially lessen competition in interstate commerce or international commerce and tend to create a monopoly in the aforesaid relevant market.

80. That the aforesaid acts of plaintiff and/or with third-party defendant damaged defendant in the amount

of one million dollars ($1,000,000), and that under said antitrust laws of the United States of America such damages should be trebled.

WHEREFORE, defendant prays this Court as follows:

(a) To preliminary and permanently *enjoin* plaintiff and third-party defendant, their officers, agents, servants, employees and attorneys, and those persons in active concert or participation with them or any of them, from attempting to enforce or enforcing, any of the rights that they allege belong to plaintiff under the agreements set forth above.

(b) That this Court find that defendant has been damaged in the amount of one million dollars ($1,000,000), and that such damages be trebled in accordance with the provisions of the antitrust laws of the United States of America.

(c) That plaintiff and said third-party defendant, their officers, agents, servants, employees and attorneys, and those persons in active concert or participation with them or any of them, be enjoined from any unlicensed use of defendant's pneumatic acoustical repeater devices, as defined in the above-enumerated alleged agreements.

(d) That this Court declare illegal and unenforceable the aforesaid alleged agreements as being in violation of the antitrust laws of the United States of America.

(e) That this Court declare that defendant was an innocent party to an illegal agreement under the antitrust laws of the United States of America.

(f) That the cost of the litigation be assessed against plaintiff.

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(g) That reasonable attorney's fees be awarded to defendant.

(h) That the Court grant such other and further relief as it may deem just and proper.

Defendant's Third Counterclaim Against Plaintiff and Third-Party Defendant

81. Defendant adopts and incorporates herein by reference, all of the allegations of paragraphs 67 through 80 of defendant's second counterclaim as set forth above.

82. That during the period since June 30, 1966, plaintiff along with said third-party defendant and other parties not now known are conspiring and did conspire to group boycott defendant and not pay defendant for the use of pneumatic acoustical repeater devices as covered by defendant's patents.

83. That by virtue of the group boycott of defendant's patents as aforesaid, defendant has been damaged as of the date of this counterclaim at least in the amount of two hundred fifty thousand dollars ($250,000).

84. That such group boycott continues to date and is at the instigation of and by reason of the affirmative acts of said plaintiff and/or third-party defendant and said others not now known to defendant.

WHEREFORE, defendant prays this Court as follows:

(a) To preliminarily and permanently enjoin plaintiff and third-party defendant, their officers, agents, servants,

employees and attorneys, and those persons in active concert or participation with them or any of them, from attempting to or enforcing any of the rights that they alleged to belong to plaintiff under the alleged agreements set forth in plaintiff's Complaint.

(b) That this Court find that defendant has been damaged in the amount of two hundred fifty thousand dollars ($250,000), and that such damages be trebled in accordance with the provisions of the antitrust laws of the United States of America.

(c) That plaintiff and said third-party defendant, their officers, agents, servants, employees and attorneys, and those persons in active concert or participation with them of any of them, be enjoined from any unlicensed use of defendant's pneumatic acoustical repeater devices, as defined in the above-enumerated alleged agreements.

(d) That this Court declare illegal and unenforceable the aforesaid alleged agreements as being in violation of the antitrust laws of the United States of America.

(e) That this Court declare that defendant was an innocent party to an illegal agreement under the antitrust laws of the United States of America.

(f) That the cost of the litigation be assessed against plaintiff.

(g) That reasonable attorneys' fees be awarded to defendant.

(h) That the Court grant such other and further relief as it may deem just and proper.

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Defendant's Fourth Counterclaim Against Plaintiff and Third-Party Defendant

85. Defendant adopts and incorporates herein by reference, all of the allegations of paragraphs 67 through 80 of defendant's second counterclaim as set forth above.

86. Said plaintiff and/or third-party defendant have conspired to suppress the use of the licensed invention to defendant's detriment during the term of said alleged agreement of April 16, 1963 to June 30, 1966, when it was terminated by defendant, and that the non-use of such invention and its consequent suppression have damaged defendant in the amount of one million dollars ($1,000,000).

87. That such suppression is in violation of the antitrust laws of the United States of America, 15 U.S.C. 2

WHEREFORE, defendant prays this Court as follows:

(a) To preliminarily and permanently enjoin plaintiff and third-party defendant, their officers, agents, servants, employees and attorneys, and those persons in active concert or participation with them or any of them, from attempting to or enforcing any of the rights that they alleged to belong to plaintiff under the alleged agreements set forth above.

(b) That this Court find that defendant has been damaged in the amount of one million dollars ($1,000,000), and that such damages be trebled in accordance with the provisions of the antitrust laws of the United States of America.

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(c) That plaintiff and said third-party defendant, their officers, agents, servants, employees and attorneys, and those persons in active concert or paticipation with them or any of them, be enjoined from any unlicensed use of defendant's pneumatic acoustical repeater devices, as defined in the above-enumerated license agreements.

(d) That this Court declare illegal and unenforceable the aforesaid alleged agreements as being in violation of the antitrust laws of the United States of America.

(e) That this Court declare that defendant was an innocent party to an illegal agreement under the antitrust laws of the United States of America.

(f) That the cost of the litigation be assessed against plaintiff.

(g) That reasonable attorneys' fees be awarded to defendant.

(h) That the Court grant such other and further relief as it may deem just and proper.

* * * * *

Defendant's Sixth Counterclaim Against Plaintiff and Third-Party Defendant

95. Defendant adopts and incorporates herein by reference all of the allegations of paragraphs 67 through 80 of defendant's second counterclaim.

96. On information and belief plaintiff is and has been engaged as a contractor doing survey work in the marine off-shore, sub-bottom exploration field. Plaintiff is and has been a major factor in that field having a substantial

portion of the market and, together with a competitor Geophysical Services Inc. (G.S.I.), a subsidiary of Texas Instruments, Inc., plaintiff and said G.S.I. have occupied approximately sixty percent (60%) to eighty percent (80%) of the market, in approximately equal shares, over the years from 1960 to date.

97. On information and belief off-shore, sub-bottom exploration requires the use of sound sources capable of producing underwater sound waves. During the early 1960's the use of non-dynamite sound sources became important in the industry primarily because of ecological reasons. Since plaintiff was a dominant factor in the industry at that time and not technologically ready for commercial use of such sources, plaintiff, in conjunction with third-party defendant, formulated a plan to continue and further plaintiff's dominance of the off-shore, sub-bottom exploration industry by seeking to control and controlling the new significant non-dynamite sound sources, to suppress their use, and to keep them from its major competitor G.S.I., and from the rest of the industry.

98. This plan included attempts to acquire exclusive rights in:

(a) defendant's pneumatic acoustic repeater;

(b) other non-dynamite sound sources that appeared to have potential; and

(c) the use of Court process to keep sound sources out of the hands of competitors and to suppress their use by competitors.

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99. The plan was followed with respect to defendant's invention of a pneumatic acoustic repeater sound source commencing when plaintiff, in 1961, first learned of the sound source invention and its potential use for off-shore, sub-bottom exploration, and continues to date. Plaintiff's implementation of the plan included many steps taken by it including, *inter alia*, an initial attempt to purchase defendant's corporation, and, failing that, an attempt to purchase the patent rights in defendant's sound source, and, failing that, a successful attempt taken in concert with third-party defendant to achieve a monopolistic control of the new invention by:

(a) first taking an exclusive license to all the then known economically significant uses of the invention (10 to 200 cubic inch capacity);

(b) obtaining an agreement to receive all future modifications, improvements, developments and inventions;

(c) using economic pressure on a financially weak defendant to obtain manufacturing rights;

(d) attempting to achieve control over larger sizes of the said invention by attempting to obtain alleged option rights;

(e) attempting to achieve control over fueled sound sources by attempting to obtain alleged option rights;

(f) using the license to obtain manufacturing know-how sufficient to preserve its exclusive position once defendant failed financially;

(g) using the assertion that the sound source was also usable for fish-scaring to attempt to obtain all rights for all purposes in the sound source invention.

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100. On information and belief having obtained an exclusive license from defendant in defendant's sound source invention, plaintiff thereafter pursued its plan of attempting to achieve entire control over it by exerting economic pressure on defendant to force defendant to fail financially, thereby making the remainder of the rights available to plaintiff. Said steps included a suppression of use of the sound source by plaintiff and by plaintiff's competitors so as to minimize and practically eliminate all income to defendant through royalties for use and manufacturing profits through sales to plaintiff's competitors.

101. On information and belief, plaintiff, under said plan has, since the attempted acquisition of defendant's sound source invention, acquired substantial rights to, *inter alia*, the following non-dynamite sound sources:

(a) Marine Dinoseis, was first (and only for a while) license, acquired from Sinclair Research, Inc., on or about January 25, 1966;

(b) Marine Vibroseis, license acquired from Continental Oil Company on or about October 11, 1966;

(c) Aquapulse, exclusive license acquired from Esso Production Research, on or about April 1, 1967;

(d) Hydrosein, acquired during the year 1968 by purchase of the assets of Marine Geophysical Services, Inc., a competitor of plaintiff.

(e) Maxi-pulse, acquired in 1969.

102. On information and belief said acquisitions were made to, and did, (a) strengthen plaintiff's dominant posi-

tion in the industry, (b) further plaintiff's attempt to monopolize said industry, (c) exclude competitors from using same, and (d) enhance plaintiff's opportunity to obtain business from the licensing parties from whom the rights to use said sound sources were acquired. Said acquisitions served to substantially and unreasonably reduce competition within the industry.

103. On information and belief, plaintiff, in conjunction with third-party defendant, continued its plan to obtain dominance over and suppression of non-dynamite sound sources by the filing of the present suit. Said suit was filed (at the time of the Aquapulse exclusive license) in an attempt to recapture defendant's sound source invention and was another step in said plan to acquire substantial control of every important, or potentially important, non-dynamite seismic sound source usable in the relevant market. Plaintiff sought by such suit to alarm its competitors and thereby to continue to impair Bolt's independent entry into the offshore sub-bottom exploration market. The result of such actions was to interfere with and delay the consummation of licensing agreements and sale and/or lease of models of defendant's invention, thus forestalling defendant's and plaintiffs' competitors entry into the marketplace.

104. As a result of the filing of the present action, defendant in pursuing its open licensing policy, had its bargaining position reduced and therefore had to grant it licenses to use its invention on terms less satisfactory to itself and below the accepted industry norm.

105. Defendant has been, and will be, forced to make expenditures of large sums of money and to use the time

of its officers and employees to defend the present suit thereby diminishing its competitive vitality. Said injury to date is substantial in the form of expenses and lack of corporate growth.

106. On information and belief, reinstating the aforementioned exclusive patent license agreement would provide the plaintiff and third-party defendant with present and future exclusive control over a sound source invention which has been used in the major portion of the survey work done in the field of off-shore, sub-bottom exploration, said sound source invention of defendant being the single most successful survey tool in the off-shore, sub-bottom exploration market.

107. The terms of said exclusive patent license agreement sought to be reinstated by plaintiff, give plaintiff numerous anti-competitive advantages over its competitors, including, *inter alia*:

(a) Plaintiff may use said sound source invention at one-half the rate paid by its competitors for off-shore, sub-bottom survey work;

(b) plaintiff is to receive one-half of all royalties paid by its competitors for use of said sound source invention for off-shore, sub-bottom exploration work;

(c) plaintiff is to receive one-half of the fees received from a competitor for the right to possess any model of the pneumatic acoustical repeater device invention;

(d) plaintiff is to receive competitive reports from each licensee on the amount and location of surveying done by competitors; and

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(e) plaintiff will receive confidential information on modifications, improvements, developments, and inventions in defendant's sound source.

108. The anti-competitve plan and acts in furtherance thereof by plaintiff and third-party defendant violate the anti-trust laws in that:

(a) The portion of the plan directed to the control of non-explosive sound sources by the attempt to acquire, and the acquisition, of exclusive rights thereto violate:

(1) 15 U.S.C. 1 as agreements and combinations which unreasonably restrain trade in the relevant market;

(2) 15 U.S.C. 2 as an attempt to monopilize by the acquisition of rights to use such sound sources in the relevant market, individually by plaintiff and in conspiratorial concert with third-party defendant;

(3) 15 U.S.C. 18 as acquisition of assets of a corporation the effect of which would be to substantially lessen competition or tend to create a monopoly.

(b) The portion of the plan involving the entire conduct of plaintiff and third-party defendant to acquire exclusive rights to the pneumatic acoustical repeater, patent rights, now and in the future, trade secrets and the control of such violates:

(1) 15 U.S.C. 1 as agreements and combinations which unreasonably restrain trade in the relevant market;

(2) 15 U.S.C. 2 in that the acquisition of the exclusive patent rights, trade secrets, and know-how, now

and in the future, and the deliberate suppression of the invention, as an attempt to monopolize in the relevant market, individually by palintiff and in conspiratorial concert with third-party defendant;

(3) 15 U.S.C. 18 as the exclusive license is the acquisition of an asset of a corporation and the power flowing therefrom has the effect of substantially lessening competition or tending to create a monopoly in the relevant market.

(c) The portion of the plan in which plaintiff brought and prosecutes this action, at the time plaintiff had just acquired the exclusive rights to the most viable sound source (Aquapulse) competitive with the pneumatic acoustical repeater, was calculated to direct all business to plaintiff, knowing that plaintiff's competitor wanted to use the pneumatic acoustical repeater and would be inhibited by the suit. This violates:

(1) 15 U.S.C. 1 as the enforcement of an agreement which unreasonably restrains trade in the relevant market by a combination of plaintiff and third-party defendant;

(2) 15 U.S.C. 2 as one of the latest steps in the plan to monopolize sound sources in the relevant market and to bar and diminish use of the pneumatic acoustical repeater by competitors and to cause financial failure of defendant and so to allow plaintiff and third-party defendant to "pick up the pieces" of the failing business.

(3) 15 U.S.C. 18 in that the attempt to super-impose plaintiff on the existing license program and to receive all future patent rights, trade secrets and know-how of plain-

tiff as an attempt to acquire assets of a corporation the effects of which substantially lessens competition or tends to create a monopoly in the relevant market.

WHEREFORE, defendant prays this Court as follows:

(a) That this Court find that defendant has been damaged in the amount of one million dollars ($1,000,000), that an accounting be had to determine same, and that such damages be trebeled in accordance with the provisions of the antitrust laws of the United States of America.

(b) That plaintiff and said third-party defendant, their officers, agents, servants, employees and attorneys, and those persons in active concert or participation with them or any of them, be enjoined from:

(1) attempting to enforce or enforcing, any of the rights that they allege belong to plaintiff under the agreements set forth herein.

(2) acquiring by assignment, license, acquisition of assets, or otherwise, rights of any nature in non-dynamite sound sources;

(3) any actions the result of which would tend to injure or destroy defendant's position in the industry as a supplier and/or licensor of sound sources;

(4) any actions the result of which would tend to increase plaintiff's market share in the field of contracting for off-shore, sub-bottom exploration.

(c) That plaintiff and third-party defendant be required to divest themselves of any and all rights they may have in the aforesaid non-dynamite sound sources.

Defendant's Amended Answer and Counterclaims
Filed November 2, 1970

Plaintiff demands trial by jury of all of the issues in this action that are properly triable by a jury.

BRYAN, PARMELEE, JOHNSON & BOLLINGER

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Prescott W. May

Dated: October 30, 1970

First Decision of U. S. C. A. Dismissing Appeal For Lack of Jurisdiction, 440 F.2d 765, Decided March 4, 1971

UNITED STATES COURT OF APPEALS

FOR THE SECOND CIRCUIT

September Term, 1970.

(Motion argued February 8, 1971 Decided March 4, 1971.)

Docket No. 71-1061

WESTERN GEOPHYSICAL COMPANY OF AMERICA, INC.,

Plaintiff-Appellee,

—v.—

BOLT ASSOCIATES, INC.,

Defendant-Appellant.

BOLT ASSOCIATES, INC.,

Third-Party-Plaintiff-Appellant,

—v.—

LITTON INDUSTRIES, INC.,

Third-Party-Defendant-Appellee.

Before:

WATERMAN and FRIENDLY, *Circuit Judges,* and McLEAN, *District Judge.**

* Of the District Court for the Southern District of New York, sitting by designation.

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Motion by plaintiff and third party defendant to dismiss appeal by defendant-third party plaintiff from an order of the District Court for Connecticut, M. Joseph Blumenfeld, *Judge*. Motion granted.

ROLAND T. BRYAN, Esq. (Bryan, Parmelee, Johnson & Bollinger, Stamford, Connecticut, Haynes N. Johnson, Joseph L. Lazaroff and Prescott W. May, Esqs., of Counsel), *for Defendant*.

SHAUN S. SULLIVAN, Esq. (Wiggin & Dana, New Haven, Connecticut, William J. Doyle, Esq., of Counsel), *for Plaintiff and Third Party Defendant*.

FRIENDLY, *Circuit Judge*:

Plaintiff, Western Geophysical Company of America, Inc. ("Geophysical"), and its parent, Litton Industries, Inc. ("Litton"), third party defendant, move to dismiss an appeal by defendant-third party plaintiff, Bolt Associates, Inc. ("Bolt"), from an interlocutory order of Judge Blumenfeld in the District Court for Connecticut.

The original complaint, filed in March 1967, asserted two causes of action.[1] They arose out of alleged breaches by Bolt of two agreements dated September 14, 1962, and April 16, 1963, respectively. By virtue of the September 14 agreement and three $2,500 payments made pursuant thereto, Geophysical was given the option, upon further payments of $25,000, to enter into two exclusive licensing agreements with Bolt. The first, entered into on April 16,

1 Federal jurisdiction was predicated on diverse citizenship.

1963 with a concurrent payment of $25,000, gave Geophysical the exclusive right "to use, as a sound source for off-shore sub-bottom exploration, certain pneumatic acoustical repeater devices having a pressure chamber volume in the size range from ten to two hundred cubic inches." The second exclusive license was to relate "to any improvements, designs, or developments and inventions relating to pneumatic acoustical repeater devices having a pressure chamber volume greater than 200 cubic inches or to fueled pneumatic acoustical repeaters for use as a sound source for off-shore, sub-bottom exploration." Broadly speaking, royalty income generated by Geophysical's sublicensing activities and imputed royalty income from Geophysical's own use of the devices was to be shared on a 50-50 basis.

The first cause of action alleged that, without informing Geophysical that it had made any improvements in the size range greater than 200 cubic inches, Bolt had sold or leased such devices to others, had represented that it was prepared to grant licenses to others covering devices within the terms of the second license option, and had refused to enter into the second exclusive license agreement with Geophysical. The second cause of action asserted that Bolt had wrongfully terminated the exclusive license agreement of April 16, 1963, and had sold or leased devices subject to that agreement to others. Alleging that its remedies at law were inadequate due to the uniqueness of the devices, Geophysical sought orders decreeing that the basic agreement of September 14, 1962, and the exclusive license of April 16, 1963, were in full force and effect, enjoining Bolt from granting any rights in derogation of Geophysical's rights under the latter, directing Bolt to enter into the second exclusive license, requiring specific performance of the two agreements in many respects unnecessary to detail,

and directing an accounting for profits realized by Bolt's alleged breaches of contract or awarding "as an alternative to the relief above requested, damages in the amount of $950,000.00."

Bolt filed an answer presenting various defenses and also five counterclaims against Geophysical and Litton. The second, third and fourth counterclaims relied on the antitrust laws. The second counterclaim asserted that the actions of Geophysical and Litton were an attempt to monopolize and a combination and conspiracy forbidden by §2 of the Sherman Act and that their acquisition of exclusive rights to Bolt's unique and novel invention would violate §7 of the Clayton Act. The third and fourth counterclaims alleged a conspiracy for a group boycott of Bolt and to suppress use of Bolt's invention, in violation of §2 of the Sherman Act. In these counterclaims Bolt asked, *inter alia,* that the court declare the agreements unenforceable, enjoin Geophysical and Litton from attempting to enforce them or from engaging in unlicensed use of Bolt's devices, and award Bolt damages of $1,000,000.00, to be trebled. Similar alleged violations of the antitrust laws were also included in Bolt's defenses.

Geophysical and Litton moved for judgment on the pleadings and for summary judgment with respect to the antitrust defenses and counterclaims. The court denied the motions insofar as the defenses were concerned, with leave to the parties to submit additional affidavits in respect of the counterclaims, see 305 F. Supp. 1248 (D. Conn. 1969). In a later opinion, 305 F. Supp. 1251 (D. Conn. 1969), the court adhered to its ruling with respect to the Sherman Act defenses and also upheld the third and fourth counterclaims. It reached a different conclusion with respect to the claimed violation of §7 of the Clayton Act. Assuming in Bolt's favor that "a single acquisition of an exclusive

license is within the purview of the act," it ruled that Geophysical's obligation to promote worldwide licensing made the license itself pro-competitive and that any suppression of the invention by Geophysical and Litton would stem not from the acquisition of the asset, to which §7 is directed, but from breach of contract and misuse of an asset already acquired. The court summarized its conclusion as follows, 305 F. Supp. at 1256:

> The motions of plaintiff and third-party defendant for summary judgment with respect to defendant's counterclaims three and four are denied. With respect to that part of counterclaim number two which invokes Clayton Act Section 7, the motions are granted; with respect to the rest of counterclaim number two (that part invoking Sherman Act Section 2), the motions are denied.[2]

After various unsuccessful maneuvers by Bolt designed to produce an order appealable by virtue of F.R. Civ. P. 54(b) or 28 U.S.C. §1292(b), which need not be here detailed, and an order by the judge separating for later trial the patent issues raised by the fifth counterclaim, 50 F.R.D. 193 (D. Conn. 1970), Geophysical, with leave of the court and the defendant's consent, served an amended complaint. Although Bolt conclusorily asserts that this constituted a material change, it does not appear to us to be so. Bolt answered, as required by F.R. Civ. P. 15(a). For our purposes the important change in the answer to the amended complaint was the addition of a sixth counterclaim. This alleged a plan by Geophysical in conjunction with Litton "to continue and further plaintiff's dominance

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2 Apparently the court correspondingly modified its earlier ruling with respect to the antitrust defenses. See 305 F. Supp. at 1251 n. 2, 1253 n. 2.

of the off-shore, sub-bottom exploration industry by seeking to control and controlling the new significant non-dynamite sound sources, to suppress their use, and to keep them" from the rest of the industry. After developing this theme in detail, Bolt alleged that the plan and the actions pursuant thereto violated §§1 and 2 of the Sherman Act and §7 of the Clayton Act and prayed for damages of $1,000,000, to be trebled, and an injunction against plaintiffs' attempting to enforce any of the rights they claimed under the agreements and against their pursuing various courses of action which would have anticompetitive effects. Finally, Bolt sought a direction that plaintiffs be required to divest themselves of all rights in non-dynamite sound sources. In contrast to the original answer, the amended one demanded "trial by jury of all the issues in this action that are properly triable by a jury."

Geophysical and Litton responded with a motion which, so far as is here pertinent, sought to strike the jury demand as not having been served within the time required by F.R. Civ. P. 38(b) and all defenses and counterclaims based on §7 of the Clayton Act "on the ground that this Court has already ruled that such defenses and counterclaims are insufficient as a matter of law." Judge Blumenfeld disposed of this motion and dealt with other matters in a pre-trial order filed December 29, 1970. Holding that nothing in the amended complaint furnished a basis for the late jury demand, he granted the motion to strike that demand insofar as it related to issues presented by the amended complaint and, inferentially, by the first five counterclaims. On the other hand, he denied the motion insofar as it sought to strike the jury demand with respect to issues raised by the newly pleaded sixth counterclaim. Faced with the prospect of a non-jury trial on the issues raised by the amended complaint and the first five counterclaims and of

a jury trial on the issues raised by the sixth, and recognizing the need for additional, perhaps extensive, discovery with respect to the latter, he deferred discovery and trial of the sixth counterclaim until trial of the other non-patent claims and counterclaims had been completed. While he in form denied the motion "to strike the Clayton Act §7 pleadings," he stated that "this court's previous rulings relating to the defendant's answer insofar as it asserted defenses and/or counterclaims based upon alleged violations of the Clayton Act §7 (15 U.S.C. §18), 305 F. Supp. 1248, 1251 (D. Conn. 1969), are equally applicable to the defendant's amended answer." Trial was to commence on March 9, 1971. Bolt's notice of appeal states generally that it is "from the Court's Order ruling on plaintiff's Motion to Strike, entered in this action on December 29, 1970."

To take the easiest point first, it is altogether plain that the striking of Bolt's jury demand with respect to the amended complaint and the repleaded counterclaims as untimely was neither a "final decision" within 28 U.S.C. §1291 nor an order granting or denying an injunction within §1292(a)(1). The proper method for seeking review of such an order is mandamus, see *Ex parte Simons*, 247 U.S. 231 (1918); *Ex parte Skinner & Eddy Corp.*, 265 U.S. 86 (1924); *Bereslavsky* v. *Caffey*, 161 F.2d 499 (2 Cir.), *cert. denied*, 332 U.S. 770 (1947); *Bereslavsky* v. *Kloeb*, 162 F.2d 862 (6 Cir.), *cert. denied*, 332 U.S. 816 (1947). We have indicated that in an appropriate case, where a litigant has mistakenly sought to obtain by appeal relief that could properly be given only on mandamus, we might consider the appeal as a request for leave to file a petition for mandamus, *International Prods. Corp.* v. *Koons*, 325 F.2d 403, 407 (2 Cir. 1963). But that principle does not assist Bolt. If Bolt had filed a petition for mandamus with re-

spect to this portion of the order, we would have denied it without calling for an answer. See F.R.A.P. 21(b). The authorities are clear that when a party has waived the right to a jury trial with respect to the original complaint and answer by failing to make a timely demand, amendments of the pleadings that do not change the issues do not revive this right, *Roth* v. *Hyer*, 142 F.2d 227 (5 Cir.), *cert. denied*, 323 U.S. 712 (1944); *Moore* v. *United States*, 196 F.2d 906, 908 (5 Cir. 1952) (dictum); *Reeves* v. *Pennsylvania R.R.*, 9 F.R.D. 487 (D. Del. 1949); 5 Moore, Federal Practice ¶38.41 (2d ed. 1969). As already indicated, we are unable to perceive that the amended complaint or the amended answer, apart from the newly added sixth counterclaim, in any way changed the issues raised by the original pleadings.

We turn next to Bolt's contention that so much of the order as struck the portions of the second and sixth counterclaims grounded upon §7 of the Clayton Act was appealable as an interlocutory order refusing an injunction within 28 U.S.C. §1292(a)(1), a section whose history is traced in *Stewart-Warner Corp.* v. *Westinghouse Elec. Corp.*, 325 F.2d 822, 829-30 (2 Cir. 1963) (dissenting opinion), *cert. denied* sub nom. *Stewart-Warner Corp.* v. *Canadian Westinghouse Co.*, 376 U.S. 944 (1964). If the issue had not previously arisen, something could be said for the proposition that when a complaint and answer present several claims, an order dismissing one of them which seeks an injunction, either on the merits or for lack of jurisdiction or improper venue, is not interlocutory but rather final with respect to that claim and is subject to appeal only if the district court properly certifies its action as a final judgment under F.R. Civ. P. 54(b). However, there are weighty arguments on the other side, and the division among the

courts was settled in favor of appealability as from an interlocutory order refusing an injunction, prior to adoption of the Rules of Civil Procedure, in *General Electric Co.* v. *Marvel Rare Metals Co.*, 287 U.S. 430 (1932). We applied that principle, after adoption of the Rules, in *Cutting Room Appliances Corp.* v. *Empire Cutting Machine Co.*, 186 F.2d 997 (2 Cir. 1951), in *Telechron, Inc.* v. *Parissi*, 197 F.2d 757 (2 Cir. 1952), and, in the writer's view improperly, in *Stewart-Warner Corp.* v. *Westinghouse Electric Corp.*, *supra*, 325 F.2d 822.[3] Hence, if Bolt had asserted only one counterclaim seeking injunctive relief and this had been based solely on §7 of the Clayton Act, an order striking the counterclaim for failing to state a claim on which relief could be granted or rendering summary judgment against Bolt would have been appealable under 28 U.S.C. §1292(a)(1).

Bolt's difficulty is that its appeal does not mirror the hypothetical just stated. The second and sixth counterclaims were only two of four which sought injunctive relief under the antitrust laws, and §7 of the Clayton Act was only one of several bases for relief asserted in these two counterclaims. The prayers for injunctive relief in counterclaims Two, Three, and Four are virtually identical. Although the Sixth counterclaim's injunctive prayer is somewhat broader than that stated in the others, it—like the Second counterclaim—rests upon alleged violations of the Sherman Act as well as of Clayton Act §7. Hence, the decision of a divided court in *Gleamore* v. *Ahern*, 276 F.2d 525,

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3 Professors Moore and Ward state that *Stewart-Warner* can be reconciled with our previous decision in *National Machinery Co.* v. *Waterbury Farrel Foundry & Mach. Co.*, 290 F.2d 527 (2 Cir. 1961), "only by assuming that the majority viewed the appeal as one from an order dismissing a compulsory counterclaim for improper venue." 9 Moore's Fed. Practice ¶110.20[1] n. 33 (2 ed. 1970). But see 325 F.2d at 828 & n. 2.

545 (2 Cir.), *cert. denied* sub nom. *Tri-Continental Fin. Corp.* v. *Glenmore*, 362 U.S. 964 (1960), does not mandate appellate jurisdiction here. In *Glenmore*, the district court had granted defendant's motion to dismiss the sixth count of a multi-count complaint. The dismissed count had sought the same injunctive relief as several other counts but on "a distinct legal theory," indeed, a distinct claim—failure to obtain I.C.C. authorization for significant changes in the rights and privileges of the holders of railroad preferred stock as required by §20a of the Interstate Commerce Act, cf. *Original Ballet Russe, Ltd.* v. *Ballet Theatre, Inc.*, 133 F.2d 187, 189 (2 Cir. 1943). Although other counts seeking an injunction on non-statutory grounds remained undetermined, we held the dismissal of the sixth count to be appealable under §1292(a)(1).[4] Here, by contrast, no single counterclaim of Bolt's has been dismissed in its entirety. Bolt may still secure the full extent of injunctive relief prayed for in each claim that it has stated. Cf. *Cott Beverage Corp.* v. *Canada Dry Ginger Ale, Inc.*, 243 F.2d 795 (2 Cir. 1957); *Backus Plywood Corp.* v. *Commercial Decal, Inc.*, 317 F.2d 339, 341 (2 Cir.), *cert. denied*, 375 U.S. 879

4 Since the district court had both denied plaintiff's motion for summary judgment on the sixth count and granted defendant's motion to dismiss it, large portions of the various opinions in that case were devoted to the issue, then hotly controverted in this court, whether denial of a plaintiff's motion for summary judgment seeking an injunction was appealable under 28 U.S.C. §1292(a)(1). The discussion was rather unnecessary since the district court had dismissed the count. See 276 F.2d at 546, 555. The overruling of our holding in *Federal Glass Co.* v. *Loshin*, 217 F.2d 936 (2 Cir. 1954), with respect to the appealability of orders refusing summary judgment for injunctions, by *Chappell & Co.* v. *Frankel*, 367 F.2d 197, 200 (2 Cir. 1966), and the disapproval of *Loshin* in *Switzerland Cheese Ass'n, Inc.* v. *E. Horne's Market, Inc.*, 385 U.S. 23 (1966), thus do not, as appellees contend, overrule the *Glenmore* holding concerning the appealability of an order dismissing a count for an injunction making a legally distinct claim, although it may be appropriate for us to give further consideration to that issue should it again arise.

(1963); *Rabekoff* v. *Lazere & Co.*, 323 F.2d 865 (2 Cir. 1963); *McNellis* v. *Merchants Nat'l Bank & Trust Co.*, 385 F.2d 916 (2 Cir. 1967), all dealing with the related problem under F.R. Civ. P. 54(b). Under these circumstances, we cannot see that the judge's striking the references to §7 of the Clayton Act differed essentially from the exclusion of evidence or refusal to hear argument relating solely to violation of that section.[5]

We come finally to Bolt's appeal from that portion of the pre-trial order which postponed the jury trial of the sixth counterclaim until the non-patent issues raised by the amended complaint and the other counterclaims had been determined by the judge. Bolt does not seriously urge that this direction of the order of trial was a denial of the injunction prayed in the sixth counterclaim; its contention rather is that the order stayed the trial of what it considers a counterclaim "at law," as evidenced by the judge's refusal to strike the jury demand, and thus was the grant of an injunction within *Enelow* v. *New York Life Ins. Co.*, 293 U.S. 379 (1935) and *Ettelson* v. *Metropolitan Life Ins. Co.*, 317 U.S. 188 (1942). Both those cases, however, were actions commenced "at law" where the district court had directed the prior trial of an equitable defense in the former case and of an equitable counterclaim in the latter; the theory was that the law judge had donned a chancellor's robes and enjoined himself from acting on the law claim.

In the reverse situation, where the action begins as one "in equity" and the court decides to try the equitable

5 In the light of our holding of non-appealability, we find it unnecessary to consider appellees' suggestion that the appeal from the striking of the Clayton Act allegations was untimely in that this action by the judge was merely a reaffirmation of his ruling of October 25, 1969, *supra*, 305 F. Supp. 1251. In any event this suggestion could apply only to the second counterclaim.

claims in advance of a legal counterclaim, the judge is considered not to have enjoined trial of the latter but merely to have exercised his power to direct the order of trial, *City of Morgantown* v. *Royal Ins. Co.*, 337 U.S. 254 (1949). See also *Baltimore Contractors, Inc.* v. *Bodinger*, 348 U.S. 176 (1955). But see *Travel Consultants, Inc.* v. *Travel Management Corp.*, 367 F.2d 334 (D.C. Cir. 1966), *cert. denied*, 386 U.S. 912 (1967). This was the situation here. Although the complaint sought declaratory relief, 28 U.S.C. §§2201-02, and included an alternative prayer for damages, the demands for both negative and mandatory injunctions against Bolt to compel specific performance of the contracts made it essentially a suit in equity. See *Schine* v. *Schine*, 367 F.2d 685 (2 Cir. 1966).

This, however, is not quite the end of the road. It may be that even when the complaint is as clearly equitable as here, if the defendant pleads a counterclaim "at law" which involves issues of fact and law common with the complaint and answer and seasonably demands a jury trial of the counterclaim prior to the trial of the issues raised in the complaint, the court should generally exercise its discretion to grant the request, although neither of the oft-cited Supreme Court decisions, *Beacon Theatres, Inc.* v. *Westover*, 359 U.S. 500 (1959); *Dairy Queen, Inc.* v. *Wood*, 369 U.S. 469 (1962), goes quite that far and we do not here so decide. See *Robine* v. *Ryan*, 310 F.2d 797 (2 Cir. 1962). While, for the reasons indicated, an order postponing trial of such a counterclaim would not be the grant of an injunction under 28 U.S.C. §1292(a)(1), abuse of discretion in effectively denying the constitutional right of jury trial would be correctible by mandamus, as was done in the cases cited. And, as indicated above, we will treat an attempted appeal as a request for leave to file

such a petition in appropriate instances. However, it is apparent there was no abuse of discretion here. Even if we assume in Bolt's favor that the sixth counterclaim was truly founded on "a separate transaction or occurrence," F.R. Civ. P. 10(b), and was not merely a more elaborate and updated version of what had been pleaded in the second counterclaim long ago, it was filed three and a half years after the suit was brought and Bolt had failed to demand a jury trial on the antitrust issues raised in its second, third and fourth counterclaims, after extensive discovery had been had on the issues raised by the complaint, the answer and the first five counterclaims, and a month after the date for the pre-trial conference had been set. Bolt has not challenged the judge's statement that further extensive discovery on the sixth counterclaim will be required. Under these circumstances we perceive no abuse of discretion in his directing that, at long last, Geophysical should have its day in court, even if this should mean that findings by him may determine issues relating to the recently pleaded sixth counterclaim on which Bolt is to be afforded a jury trial.

The motion to dismiss the appeal is granted.

Decision of District Court, Entered February 16, 1972

District Court, D. Connecticut

WESTERN GEOPHYSICAL COMPANY OF AMERICA, INC. v. BOLT ASSOCIATES, INC.

No. 11868 Decided Feb. 16, 1972

PATENTS

1. Title — Licenses — Endeavors to market and sell (§66.413)

In determining whether licensee used best efforts to promote licensing and use of licensed device, "best efforts" is construed to mean "active exploitation in good faith"; licensee is not required to pawn off an inferior product which cannot meet competition, nor is it precluded from using a different device where licensed device is not commercially acceptable; thus, licensee acts in good faith where it first directs its efforts to overcoming deficiencies in licensed device.

2. Defenses — Fraud (§30.05)

Pleading and practice in courts — Answer (§53.07)

Allegation in licensor-defendant's answer that plaintiff-licensee entered into license with fraudulent intention of not fulfilling obligations to promote licensed device should more properly be pleaded as affirmative defense.

3. Laches — As to litigation (§44.10)

Defense of laches is without merit where licensee brought suit against licensor ten months after licensor terminated license; furthermore, it is inappropriate since licensee does not seek specific performance of license.

4. Title — Licenses — Endeavors to market and sell (§66.413)

Alleged motive that licensee sought to suppress use of licensed device is negated by fact that license imposed on it the obligation to use its best efforts to sub-license others to use device.

Action by Western Geophysical Company of America, Inc., against Bolt Associates, Inc., for declaratory judgment as to rights under patent license in which defendant filed third-party complaint against Litton Industries, Inc. Judgment for plaintiff and third-party defendant.

See also 157 USPQ 129, 162 USPQ 502, 164 USPQ 277, 165 USPQ 182.

IRA B. GRUDBERG, JACOBS, JACOBS, CLIFFORD & GRUDBERG, WILLIAM J. DOYLE, and WIGGIN & DANA, all of New Haven, Conn., and RALPH M. BRAUNSTEIN, Beverly Hills, Calif., for plaintiff and third-party defendant.

ROLAND T. BRYAN, HAYNES N. JOHNSON, and ROBERTSON, BRYAN, PARMELEE & JOHNSON, all of Stamford, Conn., for defendant.

BLUMENFELD, Chief Judge.

The plaintiff, Western Geophysical Company of America, Inc. (Western), a Delaware corporation with its principal place of business in Texas and wholly owned by Litton Industries, Inc. (Litton), the third-party defendant, is in the business of conducting marine seismic exploration for oil companies throughout the world. The defendant, Bolt Associates, Inc. (Bolt), a Connecticut corporation with its principal place of business in Connecticut, manufactures, sells and licenses the use of pneumatic acoustical repeater (PAR) devices, sometimes referred to as air guns, for use as an energy source in marine seismic explorations.

I

This suit by Western against Bolt for breach of contract seeking various forms of equitable relief and damages was begun shortly after Bolt sent Western a Notice of Termination (on May 23, 1966) which purported to terminate an exclusive license agreement which Western had with Bolt giving Western the exclusive right to use and sub-license others to use the PAR device "having a pressure chamber volume in the size ranges from 10 to 200 cubic inches" as a sound source for off-shore, sub-bottom exploration.[1] The principal ground asserted for termination was that Western had not fulfilled its obligation contained in that exclusive license agreement to "use its best efforts to promote world-wide licensing and use of the licensed apparatus to

[1] This exclusive license agreement, entered into on April 16, 1963, had its inception in an earlier letter-agreement of September 14, 1962. By virtue of the letter-agreement and three monthly payments of $2500 each as rental for a PAR device leased to Western for testing, Western, upon executing and returning a proposed exclusive licensing agreement,

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government and non-profit institutions during the first two years of this Agreement and thereafter, or at such earlier time as Western may elect, to all other possible sub-licensees of such apparatus."

In addition to a general denial of wrongful breach, Bolt has alleged a series of equitable defenses, including laches, misuse, and fraud in the inducement of the contract. Also, Bolt has alleged three antitrust defenses (attempt to monopolize, conspiracy to monopolize, and illegal acquisition of an asset in violation of Section 7 of the Clayton Act). Bolt also alleges against Western alone two counterclaims: alleging breach by Western of the April 16, 1963, exclusive license agreement in the first counterclaim; and patent infringement in the fifth counterclaim.[2]

Against Western and Litton, Bolt alleges four antitrust counterclaims: conspiracy with intent to monopolize and to acquire an asset, the effect of which may be substantially to lessen competition, in violation of Sections 1 and 2 of the Sherman Act, and Section 7 of the Clayton Act, in the second counterclaim; conspiracy to group boycott defendant in the third counterclaim; conspiracy to suppress the PAR in violation of Section 2 of the Sherman Act in the fourth counterclaim; and in the sixth counterclaim, additional allegations of conspiracy to suppress the PAR, to attempt to monopolize, and to acquire an asset, the effect of which would be substantially to lessen competition, in violation of Sections 1 and 2 of the Sherman Act, and Section 7 of the Clayton Act. Bolt requests damages and various forms of equitable relief. Western and Litton's answers to these counterclaims allege numerous legal and factual defenses.[3]

At the outset of this action, Western sought specific performance of the license agreement of April 16, 1963, and of the right to a second similar license agreement covering PAR devices in excess of 200 cubic inches. After trial, Western waived its claim for specific performance of both the license agreement and the "option" for the second one. It now seeks only damages for Bolt's allegedly wrongful termination of the license agreement and Bolt's refusal to enter into a second one.

By agreement of the parties, and with the concurrence of the court, the amount of damages, if any, to be awarded to either party, and the amount, if any, for which Bolt must account to Western, were reserved for a later trial. As the trial concluded, Bolt requested permission to sever for a later trial its third counterclaim alleging group boycott in violation of the antitrust laws. Western and Litton did not object to such a severance, and the court granted Bolt's request. Trial Transcript at 2177-79.

II.

[1] Despite the many issues which have been raised by the defendant through special defenses, counterclaims, and third-party claims, the case turns almost wholly on whether Bolt was justified in terminating the exclusive license agreement with Western on the ground that Western had not used its best efforts to promote the licensing and use of the PAR air gun. Construing the term "best efforts" to mean "active exploitation in good faith," Neenan v. Otis Elevator Co., 194 F. 414, 417 (S.D. N.Y. 1911), aff'd, 194 F. 414, 419 (2d Cir. 1912),[4] the first inquiry is what did Western do to discharge that obligation.

In order to better understand what ought to be taken into account in testing whether Western used its "best efforts," some explanation of the limitations of the PAR device in relation to its use for the purpose of offshore, sub-bottom exploration is advisable.

The PAR air gun is designed to provide a source of sound, i.e. acoustic energy which is used to probe through sediments lying at the

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together with $25,000, was given "the right to retain possession of the PAR device under said (letter) Agreement, and also * * * shall have the right to acquire a second exclusive license agreement from Bolt) with respect to any improvements, designs, or developments and inventions relating to pneumatic acoustical repeater devices having a pressure chamber volume greater than 200 cubic inches or to fueled pneumatic acoustical repeaters for use as a sound source for off-shore, sub-bottom exploration, said second exclusive license agreement to be similar to the enclosed Agreement * * *." It is not disputed that Western executed and delivered the exclusive license agreement together with $25,000 to Bolt, who then also executed the license agreement.

[2] Bolt raises additional defenses to the claim based on its refusal to enter into the second license agreement relating to PAR devices having a pressure chamber volume in excess of 200 cubic inches, which will be separately considered later.

[3] The shape and scope of some of the issues were resolved at earlier stages of the case. Western Geophysical Co. v. Bolt Associates, Inc., 285 F.Supp. 815, 157 USPQ 129 (D. Conn. 1968); 305 F.Supp. 1248, 1251, 162 USPQ 502, 504 (D. Conn. 1969); 50 F.R.D. 193, 165 USPQ 182 (D. Conn. 1970); and 440 F.2d 765 (2d Cir. 1971).

[4] In this diversity case, New York law governs. Article V § 2 of the license agreement provides:

> "This Agreement is executed and delivered within the State of New York and it is the intention of the parties hereto that it shall be construed, interpreted and applied in accordance with the laws of said State of New York."

New York law appears to be in accord with the weight of authority and the parties have not claimed it is of controlling significance with respect to any point at issue.

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bottom of the ocean. This is but one element in a complex method of applying several scientific disciplines to locate oil deposits. Underwater seismic exploration is performed by explosively releasing energy under the water so as to produce a reflected signal from the different strata beneath the ocean bottom. An adequate record of the reflected signals and the use of sophisticated electronic equipment will enable skilled personnel to determine not only the depth of the bottom but also the nature of the sub-bottom strata. Explorations designed to secure only such data as is needed to map the bottom and its suitability for dredging or for structural support are classified as shallow reconnaissance surveys or oceanographic mapping. Oceanographic mapping relates primarily to engineering studies with penetration of the bottom to a depth of 500 to 1000 feet. Such surveys are to be distinguished from deep penetration, fine detail exploration undertaken to ascertain the nature and formation of sub-bottom strata which may provide clues to the presence of oil or mineral deposits. This latter type of off-shore, sub-bottom exploration is the prime objective of oil producing companies.[5]

As in the case of TNT or dynamite, which were the usual sound sources for sub-bottom exploration, the air gun, as the name implies, was designed to suddenly release a quantity of highly compressed air into the water.[6]

The sound waves so generated radiate from the explosion point, and their presence can be detected at varying distances from the point of explosion by use of certain special devices called hydrophones or geophones immersed in the water. By use of special ancillary equipment, these detected sound waves can be recorded on oscillograph tapes or transformed into electrical signals to be further processed by electronic devices. With a known distance between a hydrophone and the place of explosion, the rate of travel of these sonic waves can be computed. These sound waves are scattered in all directions, and when they encounter an object, e.g. fish or a sedimentary bottom, some are reflected and some penetrate and continue until they encounter another object of sufficient density to cause reflection. Very powerful acoustic energy will penetrate to the "basement," i.e. the granite bottom.

By measuring the time from the explosion to the return of these waves, and taking into account the differences in arrival time and the speed of travel of sonic energy in various materials, the depth and character of the reflecting sub-strata can be calculated. The low frequency sonic energy from explosions will penetrate several thousand feet in depth. Underlying the foregoing simplistic explanation there is a vast amount of scientific knowledge, mainly in the field of geophysics and mathematics relating to sound frequencies, speed of travel, formulae to be applied for various calculations which must be made, and much more. Fortunately, it is not necessary in this case to be precise about either the basic content or specific details of this scientific knowledge. See generally, Hill, The Sea, Vol. 3 at 1-71 (2d ed. 1966).

To summarize a considerable amount of expert testimony, a wide variety of specialized ancillary equipment and techniques must be skillfully employed in marine seismic exploration to visualize what lies below the bottom through sound. The end result of this considerable amount of complicated work is a final recorded display of a continuous series of seismic "sections," i.e. a vertical slice of the sub-bottom from which the contour and depth of these sub-bottom layers may be estimated. It is this data which is analyzed by geophysicists in search of oil deposits. An indication of how much equipment and technical help is involved may be gained from the fact that the expense of conducting a deepsea geological survey for an oil company is in excess of $100,000 a month.

The Plaintiff's "Best Efforts"

The defendant's most cogent argument to justify its termination of the license stems from the fact that the plaintiff had not used the PAR itself nor sub-licensed others to do so. On the surface it might appear from that that nothing was done, but the plaintiff has proved the opposite. The issue, however, is not whether the plaintiff did anything at all, but whether what it did was sufficient to satisfy its obligation to use its best efforts.

It would be a mistake to suppose there could be a single, sharp transition from the use of established sound sources to the use of the PAR air gun. A successful introduction of the PAR gun as a non-explosive sound source for sub-bottom exploration presented many problems. Efforts by Western to overcome them took several directions. Some of these were encountered at the very beginning of the relationship between Western and Bolt. Under the original agreement of September 14, 1962, which gave Western the right to exer-

[5] The license to Western to use PAR "as a sound source for off-shore, sub-bottom exploration" and to "sub-license (PAR) to others for such use" was broad enough to embrace both types of exploration.

[6] The principle of operation is to store high pressure air in the order of 1500 to 2000 lbs. per square inch in a chamber behind a quick opening valve which, when triggered, allows the stored high pressure air to suddenly discharge into the sea and thus produce sound energy.

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into an annexed proposed license agreement covering PAR guns from 10 to 200 cubic inches. Bolt had leased a 135 cubic inch PAR gun to Western for a three-month period. In the course of conducting tests, Western found that construction of the PAR gun needed to be improved in order to function with mechanical reliability under the rigorous strain imposed on it by the sustained repetitive firing it had to undergo when used in seismic exploration. With this in mind, Western sought and obtained the right to make the gun in order that it might make some changes to improve its mechanical reliability.[7] Generally proposed changes and modifications were submitted by Western and discussed with Bolt, who approved of them. After the PAR was so redesigned, manufactured and tested, further modifications were suggested by Western and these also were approved by Bolt. By February 1964 Western, with some aid and cooperation from Bolt, had completed the redesign and manufacture of two 121 cubic inch PAR guns and began to life-test them. By November 1964 Western was satisfied that these were mechanically reliable and had a commercially acceptable life. But there were other problems to solve.

It is instructive to compare the PAR gun with dynamite, a sound source with a history of use in this field. The signal generated by the PAR gun was about one percent as strong as explosives. In seismic exploration, it is at the opposite end of the spectrum from a nuclear explosion. Since probing through the subbottom is done with acoustic energy, a powerful acoustic generator of some kind is needed. To compete for the fine detail, deep penetration survey work being done with the use of explosives, the signal to noise ratio of a non-explosive sound source had to be increased markedly.[8] Consequently, use of the PAR gun presented problems in this area: how to reduce or filter out the noise that masked signals; how to intensify the signals without increasing noise. These were serious and not readily solvable problems. Inherent in the use of the air gun was its creation of an unwanted noise. When the gun was discharged underwater, the air so released formed into large bubbles and, as these broke up under pressure of the surrounding water, noise was created (a bubble-pulse effect).[9] Since the hydrophone, or sound-detecting device, apprehended both the bubble-pulse and the reflected signals in juxtaposition or superimposed, one on the other,[10] the bubble-pulse created the necessity of finding out which kind of noise was being detected. Therefore, a process for understanding which was which had to be developed.

Following the 1964 sea tests, Western concluded that, even with the bubble-pulse problem, the PAR air gun was useful as a sound source for reconnaissance survey work. But by the beginning of 1965, the shallow reconnaissance survey market was leveling off and was about to decline and leave no market for such surveys; and it was apparent that, if there was to be a market for non-explosive sound sources at all, the air guns had to be capable of effective use in obtaining the fine detail, deep penetration surveys which previously had been done with explosives.

For that kind of survey, the weakness of the energy the PAR generated and the bubble-pulse effect it produced in use had to be overcome if the device was to compete successfully with other sound sources. One possible method of making the signals more reliable was thought to be to increase the acuity of the sensing devices. Another idea was to record the sound from each shot at a number of receiving positions; another was to try to elimi-

[7] This right was effectuated by deleting from the proposed exclusive license agreement a restriction against making the gun. In consideration for that right, the letter-agreement was also modified so as to give to Bolt the right to use one-half of the $25,000 payment to defray its own overhead expenses instead of using it solely to develop PAR guns in excess of 200 cubic inches. A contention made by Bolt that the legal effect of this change vitiated the option for a second exclusive license agreement is considered infra.

[8] In the seismic industry, any sound other than the desired signal (e.g. the noise caused by the movement of the ship and of the mounted, submerged air guns and hydrophones through the water) is called noise. A sound source's maximum measurable depth of penetration is just before the signal becomes so weak that it is equal to noise.

[9] The defendant explained this in its pre-trial memorandum at 5:

"The sudden release of the high pressure air into the water creates a sharp, acoustic shock wave, i.e. it goes BANG! Following this, the expanding air pushes the water outward. As the air expands its pressure drops. When the air pressure falls below that of the surrounding water, the water then rushes back, collapsing the air volume and, at final collapse, creating another BANG! This process may be repeated several times, the size of the air 'bubble' decreasing with each oscillation since acoustic energy is derived from the air by each shock wave* * *."

[10] The PAR's bubble-pulse was a much more serious problem in deep penetration survey work, since in shallow penetration work most of the information needed is contained in the first pulse and subsequent pulses are not too important. However, in deep penetration survey work subsequent pulses mask the reflections from deeper geological interfaces. Trial Transcript (Thompson) at 597; (Cramer) at 791.

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nate or modify the bubble at its source.[11] Scientists and expert technicians at Western worked together to develop and to implement these ideas.[12]

From 1965 through June 1966 Western expended a great deal of effort and money in developing and acquiring the technology and peripheral equipment needed in order to be able to make effective use of the PAR air gun for deep penetration, fine detail survey work. This could be done only by digital recording and processing with digital instrumentation. In fact, Geophysical Services, Incorporated (G.S.I.) Division of Texas Instruments Co., the pioneer in digital instrumentation in the contract exploration industry, and Western were the first to use digital instruments with non-explosive sound sources and both did so at approximately the same time, the Summer of 1966. The specialized equipment which had to be employed was not available in the seismic industry prior to the Spring of 1966.[13]

The foregoing broad description of the obstacles which stood in the way of successfully using the PAR gun is sufficient to indicate that it was not self-evidently true that Western's lack of success was attributable to its having "sat on its hands" and made no effort at all, as Bolt insists was the case.

In considering whether Western did wi
the agreement required of it, there are ad
tional facts which should be taken into
count. There is evidence tending to prove th
in its efforts to achieve success in the use a
sub-licensing of the PAR, Western spent
tween $175,000 and $280,000. Because
parties agreed to let the determination
damages await a later trial, final determi
tion of whether all of those expenditures we
related to improving the use and marketabil
of the gun or were reasonable in amount h
not been undertaken. But there is no dou
that, at the very least, Western expended su
stantial amounts of money to make it feasi
to use PAR as a sound source for off-sho
sub-bottom exploration.

From the other side, it must be noted th
despite extensive pre-trial discovery, Bolt w
unable to offer a single instance of a rea
customer for a sub-license or of Western
failure to seize an opportunity to deal wi
one. The defendant argues that Western w
not as boldly aggressive as it should have be
in seeking to sub-license others to use t
PAR. But there were good reasons wh
Western was not trying to close deals wi
anyone for the use of the PAR until it could
used successfully.

The customers of companies who, li
Western, conduct marine seismic exploratio
are large and successful oil companies who p
accent on the objective certainty of the i
formation they are paying to obtain. They p
out their money to an exploration company
the rate of about $100,000 a month for
seismic survey in the expectation of receivi
one that is finely detailed and accurate. T
cost of drilling a well may run as high as
million dollars. In most cases, the oil co
panies specify the sound source to be used
the exploration company. If surveys ma
with the use of PAR did not measure up
what they were paying for, they would
quick to move elsewhere and slow to return.

Thus, there was presented a question
business judgment as to which I may have o
ly amateur status. But on whether the choi
made by Western was taken in good faith,
am entitled to speak. To have used the PAR
a sound source before it could be made to yie
the desired quality of seismic survey wou
have seriously jeopardized the success whi
both parties sought. No exploration compa
would have been so naive as to launch this ne
device, leaving the problems it presented to
solved by others. Western was not forced
pawn off an inferior product which could n
meet competition. Cf. Bull v. Logetronic
Inc., 323 F.Supp. 115, 132, 168 USPQ 34
354-355 (E.D. Va. 1971). Nor was Weste

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[11] Several devices to modify the bubble were tested without success; another one had been designed, but Bolt's notice of termination was received before it was tested.

[12] To overcome the objectionable bubble-pulse effect inherent in the use of the PAR gun, Western developed and filed a patent application disclosure on a method of mathematically digitally processing out the bubble effect but the key piece of computer equipment that made this procedure practicable did not become available until 1968.

[13] In order to increase the signal to noise ratio, a seismic system had to be devised that generated significantly less noise than the system being used with explosive sound sources. The long, neutrally bouyant, pressure-sensing Paslay streamer cable towed by the ship was suitable for that. A pressure-sensing device, unlike a velocity sensing system, is not sensitive to motion and can be used in a continuous tow. A long Paslay cable can accommodate at least twenty-four information channels, with each channel having twenty to fifty individual detector devices. Thus, one can receive 2400 separate signals for boat travel of one cable length, which can be corrected to compensate for the fact that the various detectors are at different distances from the "shot." With a high repetition rate of shots, signals from a common depth point can be "stacked" to enhance the signal sufficiently to produce a seismic record equivalent to one large dynamite shot. However, the long Paslay streamer cable patented by Seismic Engineering Co. was not available to anyone in the contract exploration business other than G.S.I. until March 1966, when the patent expired. Trial Transcript (Silverman) at 1491.

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absolutely precluded from using a different device.[14] Big problems which were not old and familiar faced anyone who attempted to use the PAR earlier than when the defendant terminated the license. In directing its efforts to first overcoming the deficiencies in the use of PAR, Western was acting not only in complete good faith, but also, in my view, with sound business judgment. Cf. Williams v. The Babcock & Wilcox Co., 262 F.2d 253, 120 USPQ 136 (3d Cir.), cert. denied, 359 U.S. 969, 121 USPQ 654 (1959).

In view of what Western had been faced with, and what it did in its efforts to achieve a successful method for use of the PAR gun, it is surprising that Bolt should have declared Western in default for failure to use its best efforts.

Western had kept Bolt informed of the problems it was having in attempting to make use of the PAR gun and what it was doing to try to overcome them since the beginning of their business relationship. Bolt never gave any indication to Western that it was dissatisfied with Western's efforts until it sent the notice of default letter in March of 1966. Basically, the letter complained of Western's failure to use and sub-license the gun to its competitors.[15]

Without reviewing what has gone before, it is clear, and I so find, that throughout the entire time from the inception of the license agreement to June 30, 1966, when it was effectively terminated by the defendant, Western exercised due and active diligence in wholehearted good faith to use and to promote the licensing and use of the PAR gun by others. I conclude that Western has shown a full compliance with its contractual obligations to use its "best efforts." Thus, with respect to that alleged default, Bolt was unjustified in terminating the contract.[16]

Western's Failure to Report

Bolt's asserted defense that Western failed to meet its reporting obligations under the exclusive license agreement is wholly without merit. It knew that Western had not used the PAR or sub-licensed others to use it. There were no royalties to report. In any event, after Bolt charged Western with being in default in that respect, Western more formally cured any deficiency within the time period allowed by the agreement. I find that Western fulfilled all its obligations to report and furnish information required by the exclusive license agreement.

False Representations

[2] The allegation by Bolt in its answer that Western entered into the license agreement with the fraudulent intention of not fulfilling its obligations to promote the PAR should more properly have been pleaded as an affirmative defense. Fed.R.Civ.P. 8(c). Without detailing the evidence, I find that during the pre-agreement negotiations and thereafter Bolt was aided by a number of experienced outside business advisors and attorneys. Not only was there no fraud or misrepresentation or lack of good faith by Western in any of its dealings with Bolt, Bolt was not deceived about anything. There is no merit to this defense.

Laches

[3] This defense is wholly without merit. Suit was brought ten months after Bolt terminated the license agreement. Furthermore, it is inappropriate since Western does not seek specific performance of the license agreement.

[14] Thus, Western's use of a Dinoseis gas gun under a license for one job in Alaskan waters in 1966 did not violate Western's obligation to use its best efforts. The Dinoseis did not present a bubble-pulse problem and, at that time, the PAR was not capable of producing a commercially acceptable survey. Cf. Mechanical Ice Tray Corp. v. General Motors Corp., 144 F.2d 720, 725-26, 62 USPQ 397, 401-403 (2d Cir. 1944), cert. denied, 324 U.S. 844, 64 USPQ 589 (1945).

[15] The license agreement required Western to promote the use and licensing of PAR guns to government and non-profit institutions for the first two years and then, on April 16, 1965, to promote the licensing and use of the air gun to its competitors. Although government and non-profit institutions did not have the money to purchase or license guns (except for short demonstrations and test purposes), Western made numerous attempts to interest them. Also Western presented a formal paper on the PAR at the Society of Exploration Geophysicists Annual International Meeting at Calgary, Canada. Western also printed up 1000 copies of a record section made with the PAR and distributed them at the meeting of the Marine Technology Society. It promoted the PAR to several companies.

[16] While there is no necessity to pass on whether the notice of default was given in bad faith, there is persuasive evidence that there was a practical purposefulness behind Bolt's termination of the contract which had nothing to do with Western's alleged failure to use its best efforts. Cf. Autowest, Inc. v. Peugeot, Inc., 434 F.2d 556 (2d Cir. 1970).

Before Bolt sent Western the notice of default it was busy dealing clandestinely with potential licensees, assuring them that they need not be concerned about any existing license to Western. All of this was kept from Western and when Bolt's officers were examined about these matters at trial they gave guarded or ambiguous answers to many crucial questions posed. They would not admit to that conduct in clear and unequivocal terms but attempted to shroud all of it in shadows of multiple meanings.

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The Antitrust Defenses and Counterclaims

Another aspect of Bolt's contention that Western fraudulently induced it to enter into the exclusive license agreement in order to suppress PAR is brought into issue by the allegation that Western conspired with its parent, Litton, to enter into the license agreement in order to obtain the power to suppress use of the PAR and, in fact, used that power in violation of the antitrust laws.[17]

> "• • • (T)he existence of power 'to exclude competition when it is desired to do so' is itself a violation of Section 2 (of the Sherman Act), provided it is coupled with the purpose or intent to exercise that power. American Tobacco Co. v. United States, 328 U.S. 781, 809, 811, 814 (1964)." United States v. Griffith, 334 U.S. 100, 107 (1948).

[4] The defendant offered no evidence of a purpose or intent on the part of Western or Litton to exclude competition by suppressing the PAR. The express provisions of the agreement, which Western entered into and which imposed on it the obligation to use its best efforts to sub-license others to use the PAR throughout the world, negates any such motive. Furthermore, as already shown, Western never refused to sub-license anyone, nor was it ever wanting in diligence or good faith in promoting the use of PAR by others.

Standing

Notwithstanding that Bolt's antitrust defenses and counterclaims are without merit, it is advisable to pass on Bolt's standing to maintain them.[18] At an earlier stage of these proceedings an affidavit stating that Bolt was a competitor of Western's was held sufficient to withstand a plaintiff's motion for summary judgment based on Bolt's lack of standing to assert antitrust defenses and counterclaims. The Court of Appeals has recently reaffirmed the principle that in order to have "standing" to recover treble damages for violation of the antitrust laws the plaintiff "must be within the 'target area' " of the alleged antitrust conspiracy, i.e. it must be a person against whom the conspiracy was aimed, such as a competitor of the person sued.[19] See Calderone Enterprises Corp. v. United Artists Theatre Circuit, Inc., —— F.2d —— (2d Cir. Dec. 28, 1971), slip op. 1159; Billy Baxter, Inc. v. Coca-Cola Co., 431 F.2d 183 (2d Cir. 1970), cert. denied, 401 U.S. 923 (1971); Productive Inventions, Inc. v. Trico Prod. Corp., 224 F.2d 678, 106 USPQ 207 (2d Cir. 1955), cert. denied, 350 U.S. 936, 108 USPQ 456 (1956); SCM Corp. v. Radio Corp. of America, 407 F.2d 166, 160 USPQ 225 (2d Cir.), cert. denied, 395 U.S. 943, 161 USPQ 832 (1969). But see Marmon Prod. v. Atlas Chem. Indus., Inc., 172 USPQ 214 (N.D. Ill. 1971). It is paradoxical that without any pretence of capacity Bolt should proudly contend that it was a competitor of Western in the business of conducting offshore, sub-bottom, seismic exploration for others in view of Bolt's proposed findings of fact submitted to the court following the trial of this case:

> "Bolt was originally formed as a partnership in October, 1960 to operate a machine shop and develop products for the oceanographic and other fields. Originally, it included only Stephen Chelminski, who had had some experience designing and using oceanographic equipment, and John Gilbert and Louis de Geoffroy, engineers trained in other fields (W-7).
>
> "Bolt was incorporated in 1962. At the time, it had a total of five men, the above-named individuals and, in addition, Charles Nizolek and Anthony Delano. All during the years in question until 1966, Bolt was small and depended primarily on Western for its knowledge of the oil exploration business (W-18, W-108).
>
> "Bolt's products, up to the time of the agreement here in issue, included a water bottle for deep sea sampling and the air gun invention. Its principal income came from machine shop jobs. It was not profitable and the principals lived only on subsistence incomes and private resources. Bolt had no sales force and no personnel having any knowledge of the economics of the petroleum exploration market (W-7, W-18)."

It is almost impossible for anyone with a head on his shoulders to consider the foregoing facts without seeing that Bolt's claim that it was a competitor in the field of contracting for offshore, deep-sea seismic exploration is a pretense and a sham, and merely asserted for the purpose of exaggerating the importance of its own device and drawing attention away from

[17] A full discussion of these antitrust defenses and counterclaims need not be repeated here for that appears in earlier rulings with respect to those allegations in Western Geophysical Co. v. Bolt Associates, Inc., supra, 305 F.Supp. 1248, 162 USPQ 502.

[18] In addition to the antitrust issues litigated in this trial, a sixth counterclaim based on the same provisions of the antitrust laws as in those in issue here still remains. See Western Geophysical Co. v. Bolt Associates, Inc., supra, 440 F.2d at 772.

[19] Bolt has never asked Western for a sub-license to use the PAR, nor has Western ever sought to put any limitations on Bolt with respect to any use Bolt may have made of it in demonstrations or otherwise.

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the objective factors needed to make it workable.

To sum up at this point, the court finds that Bolt's purported termination of the license agreement of April 1963 was unjustified, that Western was not in default of its obligations thereunder in any respect, that the defenses Bolt asserts are without merit, and that its counterclaims against Western and its cross-claims against Western and Litton are unproven. Western is entitled to recover damages against Bolt for wrongful termination of the first license agreement.

The Option for a Second License

Having held that Western is entitled to recover damages for Bolt's wrongful breach of the exclusive license agreement, the next issue is whether Bolt's refusal to grant Western a similar agreement covering PAR devices in excess of 200 cubic inches is actionable.[20] That letter-agreement of September 14, 1962, also provided that upon executing the exclusive license agreement enclosed with it and paying $25,000 to Bolt, Western should have the right to acquire a similar exclusive license agreement covering PAR devices in excess of 200 cubic inches.

At this point, a distinction should be noted. When Western entered into the April 16, 1963, license agreement and paid Bolt $25,000, it accepted Bolt's offer and thereupon a unilateral option contract for a second exclusive license agreement binding on Bolt was made. The option should not be confused with the second exclusive license agreement with bilateral obligations which might be entered into at some time in the future if Western so chose. Cf. City Stores Co. v. Ammerman, 266 F.Supp. 766 (D. D.C. 1967), aff'd, 394 F.2d 950 (D.C. Cir. 1968). See generally, 1 S. Williston, Williston on Contracts, §§ 61-61D (Jaeger 3d ed. 1957).

Bolt advances several arguments in support of its contention that the option for a second license agreement is not enforceable. These will be considered separately.

The Option Contract

The first argument is that the offer for an option was never accepted. Bolt admits that Western executed the first exclusive license agreement and transmitted it to Bolt together with the payment of $25,000. Bolt's argument is that the "proposed license agreement" enclosed with the original letter of September 14, 1962, "was *never executed* by Western and therefore under basic contract law no option exists." The unsubstantial basis for that contention is that the "proposed license agreement" was slightly modified and, therefore, the one originally proposed was never executed. This slight modification came about as previously noted.

On April 11, 1963, just five days before the first exclusive license agreement was effectuated, the original letter-agreement of September 14, 1962, which provided that the payment of $25,000 to Bolt was to be used by it solely to further the development of pneumatic or fueled pneumatic acoustical repeaters having a pressure chamber volume greater than 200 cubic inches was amended to permit Bolt to use one-half of the $25,000 for overhead expenses without regard to whether they were "related to such development."[21] The proposed license agreement was correspondingly amended by striking out a restriction on Western's right to make the gun.[22] In view of the advantages that would accrue to Bolt from that development, it is incongruous to argue that the entire option provision was thereby dropped from the letter-agreement. I find and hold that it was not. The amendment did not touch the option for a similar exclusive license agreement covering the larger gun; indeed, the April 11, 1963, amendment to the September 14, 1962, letter resulted in additional consideration for the option by giving Bolt greater latitude in its use of the $25,000 Western paid.

The Election

Another argument advanced by Bolt is that

[20] It is not disputed that after the purported termination of the first license agreement in June 1966 Western requested Bolt to enter into the second exclusive license agreement covering PAR in the size range greater than 200 cubic inches as provided for in the letter-agreement and that Bolt refused.

[21] "Accordingly, it is proposed that said Letter be amended on page 2 by replacing the first full paragraph on page 2 by the following paragraph:

"Further, in consideration of the payment of the said $25,000, we agree to use our best efforts to develop pneumatic acoustical repeaters having a pressure chamber volume greater than 200 cubic inches or fueled pneumatic acoustical repeaters and to use at least one-half of the said $25,000 payment to pay direct expenses arising out of such development and to use the remainder of said payment to defray corporate overhead expenses for any purposes whatever, without regard to whether or not such overhead expenses arise out of or are in any way related to such development. It is understood that no rights other than those set forth herein shall accrue to your company as a result of said payment."

[22] This was neatly accomplished by striking out the two words "make or" in Article I § 1 of the proposed exclusive license agreement, to wit:

"This Agreement shall not be construed as giving any right whatsoever to Western to sell pneumatic acoustical repeater devices hereunder."

the subject matter of the option is too indefinite because Western is given an election for a license agreement "relating to PAR devices having a pressure chamber volume greater than 200 cubic inches or to fueled pneumatic acoustical repeaters." The power of selection does not render the contract indefinite and unenforceable.

Agreement to Agree

Another contention by Bolt is that the parties intended no commitment for a second exclusive license agreement other than for minimum annual payments in an amount personally acceptable to Bolt and fixed only by its consent. Bolt's contention is drawn from that part of the letter which states that:

> "said second exclusive license agreement to be similar to the enclosed Agreement except that the royalty payments in said second Agreement under Section 2 of Article II shall be increased to an amount to be mutually agreed upon, and the minimum annual payment shall be increased to an amount to be mutually agreed upon but not to exceed Forty Thousand (40,000) Dollars per year * * *."

The argument is that as to two material items this is merely an agreement to agree and, therefore, unenforceable. These will be considered in inverse order.

Minimum Annual Payments

The condition requiring mutual agreement to the amount of minimum annual payment did not render the option contract unenforceable. The construction most favorable to Bolt which can be given to that language is that it is a promise by Bolt to enter into a second similar exclusive license covering guns larger than 200 cubic inches with the minimum annual payments set at not more than $40,000 per year. An option to purchase goods at a price to be agreed upon, but not to exceed a specified amount, is sufficiently definite to permit enforcement. 1A A. L. Corbin, Corbin on Contracts § 97 (1963). Thus, in Heyward v. Willmarth, 87 App.Div. 125, 126, 84 N.Y.S. 75, 76 (2d Dept. 1903), the court upheld the validity of an option contract to purchase certain real property "at a price not to exceed $3,000," stating:

> "The ambiguity as to the purchase price is more apparent than real. The right to purchase at the full sum of $3,000 is absolute, and that amount has been tendered and is required to be paid by the terms of the judgment, less only the amount of a specific lien upon the property duly acquired by the respondent as tenant under the terms of a prior judgment in [illegible] closure."

See also cases at Annot., 2 A.L.R. 3d [illegible] (1965). See also, Didriksen v. Haven, [illegible] Conn. 41, 68 A.2d 163 (1949), where it was held that an option by a lessee to acquire the leased premises "at a price not to exceed the sum of Twelve Thousand Five Hundred ($12,500) Dollars" was not too uncertain as to the price to be paid and to warrant specific performance.

Royalty Rate

Of the fact that both parties intended that Western should have the right to enter into a second exclusive license agreement there can be no doubt. Anyone considering their [illegible] open the fixing of a royalty rate would clearly understand that this was desirable. At the time the option contract was made, it was not possible for Bolt and Western to fix a dollar royalty rate for the PAR guns covered by the proposed license agreement. The PAR gun in question had not been developed by Bolt in April 1963 and their potential worth and market value were unknown quantities. Moreover, it was not essential for Bolt and Western to fix the dollar monthly royalty rate in Article II § 1(a) of the proposed exclusive license agreement prior to consummation of the option contract. Under the terms of the proposed exclusive license agreement Western was to become Bolt's exclusive licensing agent for PAR guns over 200 cubic inches or for fueled PAR guns used in offshore, sub-bottom exploration; and, in view of the nature of the contemplated business relationship, it was always in the interest of both Bolt and Western to market the PAR devices in question at a royalty rate that would be most advantageous considering all market conditions and which, as previously noted, could not have been determined at the time the option was granted. Thus, while good business judgment dictated that the royalty rate for these undeveloped devices not be fixed in April 1963 there was no accompanying necessity for the parties to postpone the legally binding effect of the option contract. On the contrary, the option was to be of any value to Western it had to come into effect prior to the time these PAR guns were ready to be marketed.

The royalty rate to be inserted in the proposed exclusive license agreement would be the same for Western as for any sub-licensee.

[1] Although Article II § 1(b) of the agreement sets Western's royalty rate at 50% of what Western charges its sub-licensees, Bolt retains exclusive the same rate regardless of whether the use of the PAR is by Western or by its sub-licensees because the agreement provides that Western may retain 50% of the royalties it charges sub-licensees.

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Even in the ordinary contract for the sale of goods, where the amount paid is to be borne by the purchaser and received by the seller, the view that the provision for a sale "at a price to be agreed upon" should be construed to mean only a willingness to complete negotiations in the future and insufficient to create a binding contract, see, e.g., Shur-On Standard Optical Co. v. Vinpake Co., 222 App.Div. 261, 223 N.Y.S. 157 (4th Dept. 1927), is widely regarded too rigorous an interpretation of the quoted phrase. Cf. United States v. Swift & Co., 270 U.S. 124, 139-42 (1926).

The massive extent to which there has been a turning away from such a formalistic interpretation is exemplified by the adoption of the Uniform Commercial Code, which became effective in New York in 1964 and by 1970 was in effect in all states except Louisiana. Section 2-305 of the Uniform Commercial Code provides that:

"(1) The parties if they so intend can conclude a contract for sale even though the price is not settled. In such a case the price is a reasonable price at the time for delivery if***.

* * *

"(b) the price is left to be agreed by the parties and they fail to agree;

* * *

"(4) Where, however, the parties intend not to be bound unless the price be fixed or agreed and it is not fixed or agreed there is no contract. In such case the buyer must return any goods already received or if unable so to do must pay their reasonable value at the time of delivery and the seller must return any portion of the price paid on account."

The meaning of the above provisions has been explained:

"The key to understanding the distinction between these two provisions is intention, not in relation to price, but to the parties' mutual intention to be bound or not to be bound depending upon their agreeing to a price term. If the parties intend that a bargain has been entered, though the price is yet to be agreed, failure to agree on the price will not frustrate enforcement of the agreement. On the other hand, if they do not intend themselves bound to the terms of anything unless they come to agreement on price, there is no contract until such an agreement is reached.

"Obviously, it is a question of fact whether the parties intend to be bound, leaving open only their subsequent agreement as to price, failing which a reasonable price would apply or, whether they intend no bargain until price agreement is reached." Duesenberg & King, Sales & Bulk Transfers Under U.C.C. § 4.03(1)(a), 1966.

Although strictly speaking this case does not involve a Code transaction, § 2-305 does express basic contract principles. The same view is advocated in the proposed revision of the Restatement, Contracts (2d) § 32 (Tentative Draft, 1964). It is clear that Bolt and Western intended to enter into a legally binding option contract. In April 1963 Bolt had not started to develop or test PAR guns over 200 cubic inches or fueled PAR guns because of a lack of funds. Since Western felt that such guns might be capable of generating sufficient energy to compete with explosives, it agreed to give Bolt $25,000 and Bolt in turn agreed that it would use its best efforts and one-half of the $25,000 to develop and test such guns. To protect Western's investment in the development program, Bolt granted Western an option to obtain a second exclusive license agreement covering such PAR guns to be exercised by Western in the event Bolt's development and testing program established that the PAR guns in question had commercial value.

The terms of the option contract and proposed license agreement were carefully negotiated by Bolt and Western and reduced to writing with all the accompanying legal formalities and, when the parties agreed to change some of the terms of the proposed offer, Bolt and Western executed a written amendment to the September 14, 1962, agreement to effectuate the change. All of this was done by businessmen and, under the circumstances, "(i)t is not to be supposed that they have gone through the motions of making a contract with the intention it shall have no effect." Prosser, Open Price in Contracts for the Sale of Goods, 16 Minn. L.Rev. 733, 736-37 (1933).

It is also important to note that the option here concerns a proposed exclusive agency contract, and there is general agreement among the authorities that normal contract rules relating to certainty do not apply to such agreements. 1A Corbin, supra at § 155; Williston, Law of Contracts, § 1027A (rev. ed. 1937). In recognition of the peculiar problems involved in negotiating exclusive agency or distributorship agreements, the use of rigid formulae has been supplanted by an analyses of the facts of each case in order to determine whether, under the circumstances, the parties intended to enter into a legally binding agreement. The rationale for this exception has been expounded in several cases. For a good example, in Laveson v. Warner Mfg. Corp., 117 F.Supp. 124 (D. N.J. 1953), an

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exclusive distributor brought suit on a sales agency agreement that provided that defendant was to supply plaintiff with windows in such quantities as plaintiff shall "from time to time require, at prices to be agreed upon." Id. at 125. Defendant moved for summary judgment on the ground that the contract was too vague and indefinite to be enforced since an essential element of the agreement was left open for the future determination of the parties. In denying that motion, the court engaged in a lengthy discussion of the differences between exclusive agency contracts and ordinary sales contracts:

> "The general contract rule is, that when the parties have not agreed (1) upon a price, or (2) upon a practicable method of determining the price, or (3) that the price is to be a 'reasonable' one, the contract is unenforceable. (Citation omitted). However, there are certain well recognized exceptions to this general rule, into one of which the instant case apparently falls. Exclusive sales agency contracts, such as the present, differ from ordinary sales contracts in many respects, so that the normal contract rule cannot be blindly applied thereto. There are these important differences, as to the element of price, between ordinary sales contracts and sales agency contracts. In ordinary sales contracts, the price is not passed on to a third party, but is ultimately borne by the purchaser and paid by him to the seller. Hence the fixing of this price is essential to the contract. It is the very point in which the parties are primarily interested. Not so in the case of a sales agency contract. For there, both the principal and the sales agent pass on the agency price, in question, to the third party purchaser, to be paid by him, plus the agent's commission, as the final purchase price. For this reason the agency price is not so crucial to the parties in the sales agency contract. Furthermore, what the parties to a sales agency contract are interested in, is not a good price on a single sale, as in the case of an ordinary sales contract, so much as in a substantial volume of sales, each of which will give a fair profit to both the parties to the sales agency contract. Again, both such parties realize, that to fix an unreasonably high price will lessen this major desideratum of a volume of sales. Finally, both parties to a sales agency contract realize that the agency price, which, as one element of the ultimate sales price, will help both the principal and his sales agent attain this desideratum of sales volume, cannot be determined at first, but only as the result of actual experience. *For all these reasons, the price element in a sales agency contract differs from such element in an ordinary sales contract, and is not of the essence in the former, as it is in the latter.*" Id. at 125-26 (emphasis added).

To the same effect is R. S. Stokvis & Sons, Inc. v. Kearney & Trecker Corp., 58 F.Supp. 260 (S.D. N.Y. 1944), where the court, in passing on the validity of an exclusive sales representation agreement, concluded:

> "The question of the enforceability of the agreement is more troublesome, due to the fact that it contains no provisions with respect to quantities, prices, deliveries, payments, or even discounts. According to the agreement, these provisions are all left 'to be arranged separately.' There is, however, a grant by the defendant of 'exclusive representation' in Holland, Belgium and France, 'for an indefinite time,' subject to termination on six months written notice. The Dutch Stokvis Company on its part agrees to push the sales of the defendant's products in the territories granted to the best of its ability, 'exclusive of any other American make.' There is also a provision that the defendant will refer 'all inquiries or orders coming from or destined for the territories mentioned.' I think this constituted a valid agreement insofar as exclusive representation was concerned; it did not lack definiteness or mutuality in that respect." Id. at 267.

Also, in Abrams v. George E. Keith Co., 30 F.2d 90 (3d Cir. 1929), the Third Circuit upheld the validity of an exclusive sales agency contract that provided that the defendant was "to sell and deliver * * * the shoe known as the 'Walk Over Shoe' at such prices as might be agreed upon from time to time * * *." Id. at 91. See also Willred Co. v. Westmoreland Metal Mfg. Co., 200 F.Supp. 55 (E.D. Pa. 1959); Byrne v. Shell Oil Co., 295 F.2d 797 (7th Cir. 1961); Schnerb v. Caterpillar Tractor Co., 43 F.2d 920 (2d Cir. 1930), cert. denied, 282 U.S. 898 (1931); Mantell v. International Plastic Harmonica Corp., 141 N.J.Eq. 379, 55 A.2d 250 (1947).

Construed in a manner consistent with the foregoing established rules of contract interpretation, I hold that the option contract for a second "similar exclusive license agreement" is enforceable at law. Even if the plaintiff had persisted with its claim for relief by way of specific performance, the terms of the letter-agreement would not be regarded as too indefinite to be enforced. Cf. City Stores Co. v. Ammerman, supra, 266 F.Supp. 766.

Western requested Bolt to enter into a second exclusive license agreement covering PAR air guns in excess of 200 cubic inches or

fueled PAR guns. Bolt's refusal to do so was in breach of its contractual obligation. The plaintiff is entitled to recover damages against the defendant for that breach.

For the moment I defer acting on Bolt's third and fourth counterclaims that Western and Litton conspired to "group boycott" the defendant in violation of the antitrust laws, a claim reserved for later trial; its sixth counterclaim that Western and Litton illegally conspired and combined in violation of Section 2 of the Sherman Act and acquired the exclusive license agreement in violation of Section 7 of the Clayton Act, which is simply an updated version of its second counterclaim which it claimed for a jury, see Western Geophysical Co. v. Bolt Associates, Inc., supra, 440 F.2d 765; and also its fifth counterclaim that Western infringed Bolt's Patent No. 3,249,177 issued on May 3, 1966, for "Acoustic Wave Impulse Generator Repeater" (the PAR device) by using and inducing others to make, use and sell devices covered by the patent. (See Western Geophysical Co. v. Bolt Associates, Inc., supra, 50 F.R.D. 193, 165 USPQ 182.

Except for the amount of damages to be awarded to Western all of the issues presented by the complaint, the answer, special defenses and counterclaims, except those deferred above, are resolved in favor of the plaintiff and Litton.

Accordingly, I determine that there is no just reason for delay and expressly direct that judgment be entered in favor of the plaintiff, Western, to recover its damages and costs on the complaint and on the first counterclaim. I also direct that judgment be entered in favor of Western and Litton dismissing the second counterclaim.

I return now to the counterclaims which were reserved for later trial. Despite these reservations, issues dispositive of all of the antitrust counterclaims were necessarily resolved against Bolt at this trial. Based on the findings made above and the conclusion that Bolt lacks standing to assert its antitrust counterclaims, I further determine that there is no just reason for delay and expressly direct that judgment also be entered dismissing the third, fourth and sixth counterclaims against Western and Litton. The fifth counterclaim for patent infringement is the only one which remains to be tried.

This opinion constitutes the court's findings of fact and conclusions of law in accordance with Fed.R.Civ.P. 52.

Judgment of District Court, Entered February 28, 1972

UNITED STATES DISTRICT COURT

DISTRICT OF CONNECTICUT

Civil No. 11,868

WESTERN GEOPHYSICAL COMPANY OF AMERICA, INC.,

Plaintiff,

—v.—

BOLT ASSOCIATES, INC.,

Defendant & Third-Party Plaintiff,

—v.—

LITTON INDUSTRIES, INC.,

Third-Party Defendant.

This cause came on for trial before the Court, the Honorable M. Joseph Blumenfeld, presiding, and the issues having been duly considered and the Court having rendered its Memorandum of Decision, Findings of Fact and Conclusions of Law on February 16, 1972,

And the Court having determined that there is no just reason for delay in entering judgment on the issues decided and having expressly directed that judgment so enter pursuant to Rule 54(b) of the Federal Rules of Civil Procedure,

It is accordingly ORDERED, ADJUDGED and DECREED:

(1) That judgment be and is hereby entered in favor of the plaintiff, Western Geophysical Company of Amer-

ica, Inc., to recover of the defendant, Bolt Associates, Inc., damages and costs of action on the complaint and on the first counterclaim;

(2) That judgment be and is hereby entered in favor of the plaintiff, Western Geophysical Company of America, Inc., against the defendant, Bolt Associates, Inc., dismissing the second, third, fourth and sixth counterclaims on the merits, with costs of action;

(3) That judgment be and is hereby entered in favor of the third-party defendant, Litton Industries, Inc., against the defendant and third-party plaintiff, Bolt Associates, Inc., dismissing the second, third, fourth and sixth counterclaims on the merits, with costs of action; and,

(4) That jurisdiction of this suit is retained by the Court for the purpose of determining damages awarded to the plaintiff and for adjudication of the issues contained in the fifth counterclaim for alleged patent infringement.

Dated at New Haven, Connecticut, this 28 day of February, 1972.

GILBERT C. EARL
Clerk, United States District Court
By /s/ FRANCES J. COMIGLIO
Deputy In Charge

APPROVED:

/s/ M. JOSEPH BLUMEFELD
Chief Judge, U. S. District Court

Motion to Dismiss Appeal For Lack of Jurisdiction, Served April 18, 1972

UNITED STATES DISTRICT COURT

DISTRICT OF CONNECTICUT

Docket No.

WESTERN GEOPHYSICAL COMPANY OF AMERICA, INC.,
Plaintiff,

—v.—

BOLT ASSOCIATES, INC.,
Defendant & Third-Party Plaintiff,

—v.—

LITTON INDUSTRIES, INC.,
Third-Party Defendant.

Plaintiff and third-party defendant move this Court for an order dismissing the defendant's appeal on the ground that this Court lacks jurisdiction.

Dated: April 18, 1972

Respectfully submitted,

/s/ WILLIAM J. DOYLE
William J. Doyle
Wiggin & Dana
205 Church Street
New Haven, Connecticut
Attorney for Plaintiff and Third-Party Defendant

Of Counsel:
Shaun S. Sullivan

Motion For Stay of Accounting Pending Appeal, Served May 12, 1972

UNITED STATES COURT OF APPEALS

FOR THE SECOND CIRCUIT

Appeal No. 72-1275

WESTERN GEOPHYSICAL COMPANY OF AMERICA, INC.,

Plaintiff-Appellee,

v.

BOLT ASSOCIATES, INC.,

Defendant-Appellant.

BOLT ASSOCIATES, INC.,

Third-Party Plaintiff-Appellant.

v.

LITTON INDUSTRIES, INC.,

Third-Party Defendant-Appellee.

Defendant, Bolt Associates, Inc., moves pursuant to F.R.A.P. Rule 8 for a stay of accounting proceedings ordered by the District Court, pending appeal of the liability issues.

The motion is made in the interest of judicial economy, since a reversal of the District Court's holding of liability would make the accounting unnecessary, and is supported

Motion For Stay of Accounting Pending Appeal, Served May 12, 1972

by the accompanying memorandum to which is attached a copy of the District Court's denial of Bolt's application below for a stay.

Respectfully submitted,

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Telephone No. 212-635-1615
Attorneys for Appellant—
Bolt Associates, Inc.

Of Counsel:

BRYAN, PARMELEE, JOHNSON & BOLLINGER
ROBERT E. HILLMAN
PRESCOTT W. MAY
460 Summer Street
Stamford, Connecticut06901

May 12, 1972

Decision of Court of Appeals Granting Motion to Dismiss Appeal and Denying Motion For Stay of Accounting Pending Appeal, Decided June 5, 1972

UNITED STATES COURT OF APPEALS

FOR THE SECOND CIRCUIT

September Term, 1971.

(Argued May 9, 1972 Decided June 5, 1972.)

Docket No. 72-1275

WESTERN GEOPHYSICAL COMPANY OF AMERICA, INC.,

Plaintiff-Appellee,

v.

BOLT ASSOCIATES, INC.,

Defendant-Appellant.

BOLT ASSOCIATES, INC.,

Third-Party Plaintiff-Appellant,

v.

LITTON INDUSTRIES, INC.,

Third-Party Defendant-Appellee.

Before:

FRIENDLY, *Chief Judge,*
MOORE and ANDERSON, *Circuit Judges.*

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BRYAN, PARMELEE, JOHNSON & BOLLINGER

Motion by plaintiff and third-party defendant, appellees, to dismiss an appeal by defendant, and cross-motion by defendant to stay a hearing on the amount of damages.

Motion granted and cross-motion denied.

BRYAN, PARMELEE, JOHNSON & BOLLINGER, Esqs., Stamford, Connecticut 06901 (Robert E. Hillman, Roland T. Bryan and Prescott W. May, Esqs., of Counsel), *for Appellant.*

WIGGIN & DANA, Esqs., New Haven, Connecticut (William J. Doyle and Shaun S. Sullivan, Esqs., of Counsel), *for Plaintiff and Third-Party Defendant-Appellees.*

FRIENDLY, *Chief Judge:*

For the second time, a motion to dismiss an appeal in this action, brought in the District Court of Connecticut, takes us into the esoterica of federal appellate jurisdiction. See *Western Geophysical Company of America* v. *Bolt Associates, Inc.*, 440 F.2d 765 (2 Cir. 1971). Familiarity with our earlier opinion will be assumed.

After dismissal of Bolt's first appeal for lack of jurisdiction, the action was tried, except for the patent issues raised by the fifth counterclaim, see 440 F.2d at 768, the antitrust issues raised in the sixth counterclaim, *id.* at 768-69, and, at Bolt's request, the third and fourth counterclaims alleging that Western and Litton conspired to "group boycott" Bolt in violation of the antitrust laws. On February 15, 1972, Chief Judge Blumenfeld filed a comprehensive memorandum of decision constituting his findings of fact and conclusions of law. He ruled in favor of Western on its claim for damages for Bolt's termination of an exclusive license for pneumatic acoustical repeater (PAR) air guns

having a pressure chamber volume in the size ranges of from 10 to 200 cubic inches.[1] In doing so he rejected Bolt's principal contention, namely, that Western had not fulfilled its obligation to "use its best efforts to promote world-wide licensing and use of the licensed apparatus to government and non-profit institutions during the first two years of this Agreement and thereafter, or at such earlier time as WESTERN may elect, to all other possible sub-licensees of such apparatus," as well as a series of equitable and antitrust defenses. He also sustained Western's claim for damages for Bolt's refusal to enter into a similar license agreement for PAR devices in excess of 200 cubic inches. On the antitrust counterclaims that had been tried, the judge said that Bolt had "offered no evidence of a purpose or intent on the part of Western or Litton to exclude competition by suppressing the PAR," and also expressed doubt about Bolt's standing. The judge thus concluded that, except for the reserved counterclaims, all issues save the amount of damages should be resolved in favor of Western; on that basis he determined there was no just reason for delay, F.R.Civ.P. 54(b), and directed that judgment be entered in favor of Western to recover its damages and costs on the complaint and on the first counterclaim, and in favor of Western and Litton dismissing the second counterclaim. He then proceeded to conclude that issues dispositive of the reserved third, fourth and sixth antitrust counterclaims against Western and Litton had been necessarily determined by him and, again finding no just reason for delay, directed that judgment be entered dismissing these. This disposed of the case with two exceptions—the fifth counterclaim, for patent infringement, which all agree to be a distinct claim properly severed by the Rule 54(b) certificate, and determination of Western's damages. Judgment

1 Western withdrew its prayer for specific performance.

in accordance with the memorandum of decision was entered.

Bolt took a timely appeal to this court. Western and Litton moved to dismiss for lack of jurisdiction. Bolt moved in the district court to stay the proceeding for the computation of damages pending determination of the appeal. The judge denied the motion and appointed a United States magistrate as special master to hear and report. Bolt then moved this court for a stay of the hearing before the magistrate.

If it were not for the portions of the dismissed counterclaims seeking injunctions, it would be rather clear that the motion for dismissal should be granted. The court had not finally determined the respective rights and liabilities of Western and Bolt since it had not fixed the damages. See *Catlin* v. *United States*, 324 U.S. 229 (1945); *Petrol Corp.* v. *Petroleum Heat & Power Co.*, 162 F.2d 327 (2 Cir. 1947); *United States* v. *Burnett*, 262 F.2d 55 (9 Cir. 1959); and other decisions too numerous to mention. If history, precedent or principle left any ground to doubt that a judgment determining liability but not fixing damages is not final under 28 U.S.C. § 1291, this would be removed by the provisions of 28 U.S.C. § 1292(a)(3) and (4) authorizing appeals from "interlocutory decrees . . . determining the rights and liabilities of the parties to admiralty cases in which appeals from final decrees are allowed," and "judgments in civil actions for patent infringement which are final except for accounting." The certificate under Rule 54(b) is therefore unavailing as between Western and Bolt with respect to Western's claims. "The District Court *cannot*, in the exercise of its discretion, treat as 'final' that which is not 'final' within the meaning of § 1291." *Sears, Roebuck & Co.* v. *Mackey*, 351 U.S. 427, 437 (1956) (Emphasis in original).

While this reasoning is not dispositive of the appealability of the dismissal of Bolt's counterclaims against Western and Litton, which the district court also certified, see *Cold Metal Process Co.* v. *United Engineering & Foundry Co.*, 351 U.S. 445 (1956),[2] we doubt that the district court would have certified the counterclaims alone if it had realized that its disposition of Western's contract claims could not be made appealable by action under Rule 54(b). In any event, under the circumstances of this case, we must find certification of the counterclaims to have been an abuse of discretion. *Sears, Roebuck & Co.* v. *Mackey*, *supra*, 351 U.S. at 437; *Cold Metal Process Co.* v. *United Engineering & Foundry Co.*, *supra*, 351 U.S. at 452; *Panichella* v. *Pennsylvania Railroad Co.*, 252 F.2d 452, 455 (3 Cir. 1958); *Campbell* v. *Westmoreland Farm, Inc.*, 403 F.2d 939, 942 (2 Cir. 1968); see generally 6 Moore, Federal Practice ¶ 54.41[3]. Bolt's antitrust defenses and counterclaims were inextricably intertwined with its contention that Western had failed to use its best efforts to license the PAR gun to its competitors. Thus, Western's claims and Bolt's counterclaims are so closely related that piecemeal appeals are inappropriate. *Gaetano Marzotto & Figli, S.P.A.* v. *G.A. Vedovi & Co.*, 28 F.R.D. 320 (S.D. N.Y. 1961); see 6 Moore, Federal Practice ¶¶54.35[1], 54.41[3]. Moreover, Rule 54(b) requires the district judge,

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2 The Court in the *Cold Metal Process* case held appealable an adjudicated claim where an unadjudicated counterclaim remained, whether the counterclaim was compulsory or permissive. The counterclaim must in fact be a counterclaim and not merely a defense to plaintiff's action. *United States Plywood Corp.* v. *Hudson Lumber Co.*, 210 F.2d 462 (2 Cir. 1954); *Flynn & Emrich Co.* v. *Greenwood*, 242 F.2d 737 (4 Cir.), *cert. denied*, 353 U.S. 976 (1957); see 6 Moore, Federal Practice ¶ 54.35[1]. Bolt's claims for damages under the antitrust laws, while arising from the same facts as Western's contract claims, apparently satisfy this requirement; there thus exists the required multiplicity of claims for relief. *See Rieser* v. *Baltimore & Ohio Railroad Co.*, 224 F.2d 198, 199 (2 Cir. 1955), *cert. denied*, 350 U.S. 1006 (1956); *Campbell* v. *Westmoreland Farm, Inc.*, 403 F.2d 939, 941 (2 Cir. 1968).

before entering judgment, to make a finding that there is "no just reason for delay." As we said in *Campbell* v. *Westmoreland Farm, Inc., supra*, 403 F.2d at 942, "there must be some danger of hardship or injustice through delay which would be alleviated by immediate appeal." Bolt has failed to demonstrate any hardship or injustice that an immediate appeal would alleviate, other than the expense of a hearing on damages which a reversal would make unnecessary. Of course, this is not enough.

Not seriously challenging the foregoing analysis, appellant asserts it to be irrelevant. Bolt rests its argument against dismissal primarily on the ground that its third, fourth and sixth counterclaims demanded injunctions and the statement in our earlier opinion that "if Bolt had asserted only one counterclaim seeking injunctive relief and this had been based solely on § 7 of the Clayton Act, an order striking the counterclaim for failing to state a claim on which relief could be granted or rendering summary judgment against Bolt would have been appealable under 28 U.S.C. § 1292(a)(1)." 440 F.2d at 770. The Rule 54(b) certificate was therefore as needless as in *Telechron, Inc.* v. *Parissi*, 197 F.2d 757, 759 (2 Cir. 1952). Facing up to the fact that this court could not pass intelligently on the propriety of the dismissal of the counterclaims seeking injunctive relief without considering Western's contract claim and the defenses to it, Bolt argues that, having jurisdiction over its § 1292(a)(1) appeal from the denial of an injunction, we can also consider the otherwise unappealable order sustaining Western's contract claims but not determining the damages. For this it cites *Stewart-Warner Corp.* v. *Westinghouse Electric Corp.*, 325 F.2d 822, 826 (2 Cir. 1963), *cert. denied*, 376 U.S. 944 (1964); and *Semmes Motors, Inc.* v. *Ford Motor Company*, 429 F.2d 1197, 1201 (2 Cir. 1970).

Assuming without deciding that Bolt's position might have merit in a proper case, we encounter the troublesome question whether the rejection of its counterclaims constituted an interlocutory order refusing an injunction within the meaning of 28 U.S.C. § 1292(a)(1). Decisions have established that the mere labeling of a pleading as a counterclaim is not controlling. *United States Plywood Corp.* v. *Hudson Lumber Co.*, 210 F.2d 462 (2 Cir. 1954); *Flynn & Emrick Co.* v. *Greenwood*, 242 F.2d 737 (4 Cir.), *cert. denied*, 353 U.S. 976 (1957). While it may be true that Bolt's counterclaims requesting damages presented actual counterclaims, and not simply defenses to Western's contract claims, see note 2, *supra*, its requests for injunctive relief stand differently. In light of what transpired at the trial it seems clear, as it was not when the case was previously here at the pleading stage, that Bolt's claim for injunctive relief under the antitrust laws added nothing of substance. A conclusion that Western had suppressed Bolt's invention would have meant a dismissal of its claim for wrongful termination of the license and there would be nothing to enjoin under the antitrust laws. On the other hand the conclusion that Western had not engaged in such conduct and was thus entitled to damages for Bolt's termination, coupled with Western's withdrawal of any claim for specific performance, see note 1, equally mooted Bolt's claim for an injunction. See *Bennell Realty Co.* v. *E. G. Shinner & Co.*, 74 F.2d 491 (7 Cir. 1936), *cert. denied*, 302 U.S. 693 (1937).

In considering the application of § 1292(a)(1) to borderline cases like the instant one,[3] we must be ever mindful that

3 Lurking in the background is the uneasy fit of the rule of *General Electric Co* v. *Marvel Rare Metals Co.*, 287 U.S. 430 (1932), that a *final* disposition of a request for an injunction meets the statutory description when other issues remain pending, a problem the Supreme Court may some day wish to reconsider in light of the difficulties the inferior courts have had in applying the *General Electric* rule. See

it was intended as a narrow exception to the policy of the basic final judgment rule, "a wisely sanctioned principle against piecemeal appeals governing litigation in the federal courts." *Sears, Roebuck & Co.* v. *Mackey, supra*, 351 U.S. at 441 (Frankfurter, *J.*, concurring and dissenting). The great advantages of that policy in the administration of federal justice dictate against a reliance on the strict letter of § 1292(a)(1) which would cause the exception to encroach unduly upon the rule. Of course, there is some surface attraction in Bolt's contention that a reversal would save both parties the expense of what may be a fruitless hearing for the computation of damages. But that argument would exist equally in a case where the defendant had not formally sought injunctive relief, and the contention would fly in the face of § 1291 and the provisions of § 1292(a)(3) and (4) allowing interlocutory appeals from determinations of liability in two classes of cases not including this one. In a case where the hearing on damages will be truly prolonged, and the judge considers his ruling on liability to present "a controlling question of law as to which there is substantial ground for difference of opinion," a permissive interlocutory appeal under 28 U.S.C. § 1292(b) is available, see *Trans World Airlines, Inc.* v. *Hughes*, 332 F.2d 602, 604-05 (2 Cir.), *cert. granted*, 379 U.S. 912 (1964), *cert. dismissed as improvidently granted*, 380 U.S. 249 (1965). No application for such relief was made here and, since the decision seems to have rested primarily on a determination of fact, it is exceedingly doubtful that a certificate could properly have been issued if it had been.

The motion to dismiss the appeal is granted. The motion to stay the hearing on the amount of damages is denied.

Stewart-Warner Corp. v. *Westinghouse Electric Corp.*, *supra*, 325 F.2d at 829-30 (dissenting opinion); *Western Geophysical Company of America* v. *Bolt Associates, Inc.*, *supra*, 440 F.2d at 769-70.

Order of Court of Appeals Granting Motion to Dismiss Appeal, Dated June 5, 1971

UNITED STATES COURT OF APPEALS

SECOND CIRCUIT

At a Stated Term of the United States Court of Appeals, in and for the Second Circuit, held at the United States Court House, in the City of New York, on the fifth day of June, one thousand nine hundred and seventy-two.

WESTERN GEOPHYSICAL COMPANY OF AMERICA, INC.,

Plaintiff-Appellee,

v.

BOLT ASSOCIATES, INC.,

Defendant-Appellant.

BOLT ASSOCIATES, INC.,

Third-Party Plaintiff-Appellant,

v.

LITTON INDUSTRIES, INC.,

Third-Party Defendant-Appellee.

It is hereby ordered that the motion made herein by counsel for the appellees by notice of motion dated April

Order of Court of Appeals Granting Motion to Dismiss Appeal, Dated June 5, 1971

18, 1972, to dismiss the appeal from the United States District Court for the District of Connecticut for lack of jurisdiction be and it hereby granted.

A. DANIEL FUSARO,
Clerk

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Before:

HON. HENRY J. FRIENDLY,
Chief Judge,

HON. LEONARD P. MOORE,
HON. ROBERT P. ANDERSON,
Circuit Judges

Order of Court of Appeals Denying Motion for Stay of Accounting Pending Appeal, Dated June 5, 1972

UNITED STATES COURT OF APPEALS

SECOND CIRCUIT

At a Stated Term of the United States Court of Appeals, in and for the Second Circuit, held at the United States Court House, in the City of New York, on the fifth day of June, one thousand nine hundred and seventy-two.

WESTERN GEOPHYSICAL COMPANY OF AMERICA, INC.,

Plaintiff-Appellee,

v.

BOLT ASSOCIATES, INC.,

Defendant-Appellant.

BOLT ASSOCIATES, INC.,

Third-Party Plaintiff-Appellant,

v.

LITTON INDUSTRIES, INC.,

Third-Party Defendant-Appellee.

It is hereby ordered that the motion made herein by counsel for the appellant by notice of motion dated May 12, 1972, for a stay of accounting pending the appeal be and it hereby is denied.

A. DANIEL FUSARO,
Clerk

* * * * *

Before:

HON. HENRY J. FRIENDLY,
Chief Judge,

HON. LEONARD P. MOORE,
HON. ROBERT P. ANDERSON,
Circuit Judges

Petition For Rehearing Under Rule 40 F. R. A. P., Served June 15, 1972

UNITED STATES COURT OF APPEALS

FOR THE SECOND CIRCUIT

Appeal No. 72-1275

WESTERN GEOPHYSICAL COMPANY OF AMERICA, INC.,

Plaintiff-Appellee,

v.

BOLT ASSOCIATES, INC.,

Defendant-Appellant.

BOLT ASSOCIATES, INC.,

Third-Party Plaintiff-Appellant,

v.

LITTON INDUSTRIES, INC.,

Third-Party Defendant-Appellee.

Bolt petitions the Court for a rehearing of its decision dismissing the appeal and denying the stay because:

1. The decision fails to deal with Bolt's *entire* request for injunctive relief, completely overlooking that portion of the request directed against prior and future acquisitions by Western of a variety of sound sources other than Bolt's; and

Petition For Rehearing Under Rule 40 F. R. A. P., Served June 15, 1972

2. The decision appears to be based in part upon the Court's view of the merits of the antitrust case "in light of what transpired at trial", while overlooking important aspects of what transpired at trial.

The Entire Request for Injunctive Relief Was Not Considered

The decision creates an exception to §1292(a)(1) appealability in cases where the "claim for injunctive relief under the antitrust laws add[s] nothing of substance". The Court reasons that since a decision on the merits of Geophysical's complaint for wrongful termination of the agreement would by itself amount to a decision on whether to enjoin enforcement of the agreement, the request for injunction can be ignored.

Regardless of whether §1292(a)(1) is properly held inoperative when the sole act sought to be enjoined is embodied in another branch of the litigation, the injunction denied in this case goes far beyond anything that would have flowed from a decision in Bolt's favor simply dismissing the complaint. Bolt strongly urges the Court's attention to the allegations in the sixth counterclaim (copy attached) that Geophysical's acquisition of rights in a number of non-dynamite sound sources, Bolt's and others', violated §7 of the Clayton Act and §1 and §2 of the Sherman Act, and the request that Geophysical: (a) be enjoined from further "acquiring . . . rights of any nature in non-dynamite sound sources" and (b) "be required to divest themselves of any and all rights they may have in the aforesaid non-dynamite sound sources".

This branch of the request for injunctive relief, not mentioned in the Court's opinion (though clearly recognized

in the opinion dismissing the previous appeal, 440 F2d at 768), is not governed by the rationale of the opinion, and plainly adds much of substance to the relief that would have been Bolt's had it prevailed in defending against the complaint.

A further oversight is that an injunction under the antitrust law stands in special position and is specifically provided in Clayton Act §7 (15 U.S.C. 18) suits in 15 U.S.C. 26. Thus, antitrust injunction is an important part of public protection, and appeal from its denial should be expedited.

The Court is thus urged to reconsider its decision in light of the *entire* request for injunctive relief.

What Transpired at Trial

1. *The Merits*

Surely appealability here is independent of the ultimate merits of the matter appealed, and must be decided essentially on the basis of what is plead for. However, the Court's opinion, in its reference to "what transpired at trial" and to "the conclusion that Western had not engaged in such [antitrust] conduct", has the flavor of being influenced by the views of the District Court on the merits of the counterclaims. Yet the opinion does not recognize the fact that Bolt's day in Court below on the antitrust counterclaims was severely truncated: discovery in general relating to antitrust matters was limited to events prior to the date of contract termination, June 30, 1966 (ruling on Defendant's Rule 37(b)(2) Motion, March 30, 1970), and discovery and trial relating to the sixth counterclaim specifically were postponed (Pre-trial Order, p. 3, December 21, 1970) and never had. Thus, no trial has yet been had on

the effect on competition of the enforcement of the option sought in 1966-7, and of the additional acquisition by Geophysical of an exclusive license on Humble Oil's competitive non-dynamite sound source at the same time when Geophysical filed suit.

Whether the District Court properly dismissed the counterclaims after excluding the defendant from procuring evidence of the anti-competitive acts alleged in its counterclaims is thus a primary issue which Bolt seeks to have determined on appeal now, not later, when the market has been further affected by Geophysical's acquisitions.

Further, the Court found Geophysical had not used the invention or licensed it in its over three years of control. This is evidence of denial of the invention to the market, i.e., suppression, even though excused by that Court.

2. *Specific Performance*

The Court's ruling that "Western's withdrawal of any claim for specific performance" helped to moot Bolt's claim for an injunction overlooks the fact that an award of past and future damages is as much an enforcement of the agreement as would be its specific performance. The effect on competition of a tax levied now on Bolt's projected future business from all of Geophysical's competitors is at the heart of Bolt's antitrust claims, and the need to now enjoin that levy arises out of the public concern for free competition and was in no sense mooted by the withdrawal of the request for specific performance. The antitrust law specifically supersedes contract law 15 U.S.C. §1, 2, 18. *United States* v. *Singer Mfg. Co.*, 374 U.S. 174; 137 U.S.P.Q. 808 (1963).

Petition For Rehearing Under Rule 40 F. R. A. P., Served June 15, 1972

Conclusion

The Court should, for the reasons above, grant Bolt's petition for reconsideration, hear the appeal, and grant the stay.

Should the reconsideration petition not be granted, it is requested that this Court nevertheless grant the stay pending Bolt's application to the Supreme Court for a writ of certiorari on the question of whether an antitrust injunctive claim that has been dismissed is appealable under 28 U.S.C. 1292(a)(1) because of the overriding interest in abating effects of enforcement of agreements in restraint of trade.

Respectfully submitted,

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June 15, 1972

Order of Court of Appeals Denying Petition For Rehearing, Dated June 30, 1972

UNITED STATES COURT OF APPEALS

SECOND CIRCUIT

At a Stated Term of the United States Court of Appeals, in and for the Second Circuit, held at the United States Court House, in the City of New York, on the 30th day of June, one thousand nine hundred and seventy-two.

WESTERN GEOPHYSICAL COMPANY OF AMERICA, INC.,

Plaintiff-Appellee,

v.

BOLT ASSOCIATES, INC.,

Defendant-Appellant.

BOLT ASSOCIATES, INC.,

Third-Party Plaintiff-Appellant,

v.

LITTON INDUSTRIES, INC.,

Third-Party Defendant-Appellee.

It is hereby ordered that the motion made herein by counsel for the appellant by notice om motion dated June 15, 1972, to reconsider the orders of this Court filed June 5, 1972, dismissing the appeal from the United States District Court for the District of Connecticut for lack of

Order of Court of Appeals Denying Petition For Rehearing, Dated June 30, 1972

jurisdiction and denying the motion for a stay of accounting pending the appeal, or, in the alternative, to grant a stay pending application to the Supreme Court of the United States for a writ of certiorari be and it hereby is denied.

/s/ HENRY J. FRIENDLY
Henry J. Friendly, *Chief Judge*

/s/ LEONARD P. MOORE
Leonard P. Moore

/s/ ROBERT P. ANDERSON
Robert P. Anderson, *Circuit Judges*